



**How can International Business Negotiations be successful  
between companies with distinct cultures?  
- a case study in a worldwide operating organization**

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**Internship Report**

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## **Biographical Note**

Fabian Kreutzer was born in 1989 in the state of Saarland in Germany. In 2014, he graduated at the University of Applied Sciences in Saarbrücken in Industrial Engineering. He was admitted to the Master in Management from the Faculty of Economics of the University of Porto in 2015. During his Bachelor and Master studies, he conducted several internships in Purchasing departments of world-wide operating companies of the automobile industry. The experiences gained through the internships in Germany, Japan and Brazil encouraged him to dedicate his Master dissertation to the topic of International Business Negotiations.

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## **Abstract**

International Business Negotiations (IBNs) take place every day and the number of them is more likely to increase than to decrease due to the high degree of globalization. These intercultural discussions are associated with special difficulties, bringing people at one table with different ways of doing business.

The aim of this work is to analyze the various challenges related to IBNs and to conclude in recommendations to success in them. The focus of this study lies in the cultural aspects of IBNs since they comprise the biggest difficulty with many potential mistakes that can be done. There is a considerable amount of literature available about general negotiations and culture, but less studies deal with the combination of both. Moreover, the existing studies tend to refer more to the general problems in IBNs rather than giving specific advice.

In order to provide a real guidance to deal with the general difficulties of IBNs paired with wide-ranging cultural aspects that need to be considered, there is an analysis and comparison of the German business culture, including the way of negotiating, with the Chinese and Brazilian one. The work intends to complement the existing approaches and gives recommendations for these specific cases but also for other cultural-diversified settings with different countries involved.

By using a qualitative methodology and conducting interviews with experienced negotiators, who worked in one or more of the considered countries, the major differences between the respective cultures are presented and the effect on business negotiations are highlighted accordingly.

The study focuses on the main difficulties that frequently occur IBNs, but certainly cannot cover all possible aspects since they always highly depend on the respective culture itself. As far as it is known, there is no investigation conducted regarding the challenges of IBNs in the specific scope of the three mentioned countries and therefore the study contributes to the understanding of cultural differences in the context of IBNs.

Key-words: international business negotiation, communication, cultural differences, globalization

## **Resumo**

As Negociações Comerciais Internacionais (IBNs) ocorrem todos os dias e é mais provável que o número venha a aumentar do que diminuir dado ao alto grau de globalização. Estas negociações interculturais estão associadas a dificuldades especiais, reunindo a uma mesma mesa pessoas com diferentes formas de fazer negócios.

O objetivo deste trabalho é analisar os vários desafios relacionados a IBNs e apresentar algumas recomendações para o seu sucesso. O foco deste estudo está nos aspetos culturais de IBNs, já que constituem a maior dificuldade, com muitos erros potenciais que podem ser feitos. Há uma quantidade considerável de literatura disponível sobre negociações gerais e cultura, mas menos estudos lidam com a combinação destes dois tópicos. Além disso, os estudos existentes tendem a se referir mais aos problemas gerais em IBNs e não tanto em dar conselhos específicos.

Para fornecer uma orientação real para lidar com as dificuldades gerais de IBNs ligadas aos aspetos culturais que precisam ser considerados, fez-se uma análise e comparação da cultura empresarial alemã, incluindo a maneira de negociar, com a da China e do Brasil. O trabalho pretende complementar as abordagens existentes e dá recomendações para esses casos específicos, mas também para outras situações culturalmente diversificadas com diferentes países envolvidos.

Ao usar uma metodologia qualitativa e realizar entrevistas com negociadores experientes, que trabalharam em um ou mais dos países considerados, as principais diferenças entre as respectivas culturas são apresentadas e o efeito nas negociações comerciais é destacado em conformidade.

O estudo concentra-se nas principais dificuldades que frequentemente ocorrem em IBNs, mas certamente não abrange todos os aspetos possíveis, já que eles dependem muito da própria cultura.

Até onde se sabe, não há nenhuma investigação realizada sobre os desafios de IBNs no âmbito específico dos três países mencionados e, portanto, o estudo contribui para a compreensão das diferenças culturais no contexto de IBNs.

Palavras-chave: negociações internacionais, comunicação, diferenças culturais, globalização

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## List of Abbreviations

**IBN** – International Business Negotiation

**CQ** – Cultural Intelligence

**RBSG** – Robert Bosch Starter Motors and Generators

**SGBR** – Starter Motors and Generators Brasil

**OEM** - Original Equipment Manufacturer

## **1. Introduction**

The general world trade grew rapidly over the last sixty years considering that the rate of trade relative to output more than tripled in that period. One reason for that rapid growth are the declining transportation costs that occur while trading worldwide (Hummels, 2007). Besides the product and its price, international trade is especially a matter of importance regarding the people who are managing the complex relational process between the collaborating entities. To agree on profitable market transactions, there is a need of establishing and maintaining strong relationships and having constructive negotiations (Ghauri & Usunier, 2003). Also, globalization spreads due to a steady use of outsourcing activities in international markets and the advancing internet use (Merkin, 2009). The increasing international trade combined with the high degree of globalization consequently leads to more and more business negotiations between companies from different corners of the world.

Such International Business Negotiations (IBNs) can be very tricky, especially when the involved parties have distinct cultures and ways of doing business. There are some prominent examples of negotiations in which the parties did not reach an agreement due to cultural insensitivity as one of the obstacles. In September 2008, Lehman Brothers went bankrupt as one of the largest investment banks at that time with an enormous impact on the financial system. Until today, this bankruptcy filing was the biggest in the history of the USA and it was a major factor in turning an economic crisis into a financial panic with serious consequences worldwide. In the same year of the bankruptcy, Lehman Brothers missed their last chance of staying alive when the Korea Development Bank decided to refrain from a possible acquisition (Swedberg, 2010). The negotiations failed because the executives of Lehman Brothers did not pay enough attention to the cultural aspects of the way of doing business in South Korea and even caused them to “lose face”. In Asia, business communication is more indirect and ambiguous, while Americans prefer a more direct and clear communication (Merkin, 2009).

A similar lack of cultural sensitivity has been shown by Enron trying to achieve a big contract in India. At that time, Enron was a wealthy pipeline company and tried to push the deal aggressively by shortening the negotiation time. They did not consider the sensitivity of time of the Indian business partners, who eventually cancelled the talks due to “unseemly haste” (Salacuse, 2005). It is admittedly difficult to evaluate the exact



influence of the misbehaviors of the American companies within the described business negotiations, nevertheless the two cases clearly illustrate how poor conditions including insufficient attention to the cultural differences can lead to failure when dealing with foreign cultures. Besides the cultural aspects, there are other facets of international distance that can become obstacles in IBNs such as the geographical and administrative political distance.

This work has been created in the context of an internship in the Purchasing department in Brazil. The Brazilian subsidiary belongs to a German supplier of the automobile industry, which belongs to a Chinese corporation from beginning of 2018. Due to these specific settings, the study is especially helpful for the Brazilian location, having its headquarter in Germany and its parent company in China. This situation automatically leads to an increased number of German and Chinese suppliers and colleagues for the Brazilians and they frequently have to face their distinct business cultures.

The purpose of this work is to find out how IBNs can be successful. In this context, success constitutes an agreement including a win-win situation for all participating parties. All emerging factors, that are connected to IBNs and represent a potential obstacle for success need to be considered. Since the outcome of a negotiation not only depends on the way of communication during the business interaction but also on the matter of discussion itself, the mentioned success can only be enabled and not assured. In other words, business negotiations can be conducted under perfect conditions but fail anyway due to disagreements on the business topic.

The structure of the work is composed in the following way: After this introduction, the literature will be reviewed, which mainly deals with IBNs and the respective difficulties. In chapter 3, the methodological aspects of the work will be characterized and the chosen approach is justified. The company where the internship has been conducted is presented in the same chapter. The analytical part of the work, with the scope of the specific business cultures of Germany, China and Brazil, is described in chapter 4. After that, the work finishes in a conclusion with specific guidance for successfully negotiate in IBNs.

## **2. Literature Review**

There is a comprehensive amount of literature existing that deals with negotiations in general, whereas the specific field of IBNs seems to be less explored despite of its huge relevance (Ghauri & Usunier, 2003). In the following, there will be a literature review on IBNs, describing the most relevant business cultures and additional aspects of international distance, which make the negotiations so difficult. At the end of the chapter, capabilities to increase the chance of success in the negotiations will be presented, before a short conclusion closes the section.

### **2.1. International Business Negotiation**

Negotiations are common in everyday life and basically get conducted to manage our human relationships. The involved negotiators can be a husband disagreeing with his wife, a child bargaining with its parents or a student asking his professor for a deadline extension, among others (Ghauri, 2003). Since there are various definitions for negotiations, de Moor and Weigand (2004) summarized some common elements of them to conclude in the following, which also applies to business negotiations: “In negotiations are two or more interdependent participants, each of whom has some individual goals that may be partially incompatible. In some form of process, alternatives are investigated with the purpose of agreeing upon one of them” (p. 4).

In IBNs the participants come from different countries. More precisely IBN can be defined as “the deliberate interaction of two or more parties (at least one of them a business entity), originating from different nations, who are attempting to define or redefine the terms of their interdependence in a business matter” (Weiss, 2006, p. 288). The fact that the negotiations are usually conducted by companies with a big geographical distance leads to a changed environment for at least one of the participants. The environment has a direct influence on the process of the discussion and involves the place and surroundings, and even a time factor, given that there are 24 different time zones worldwide. A distinct foreign environment can block a successful agreement in the negotiations and it gets even more complicated if it includes additional factors like the usage of media for discussions and the need of interpreters. Such tools for business making are very common nowadays and influence the environment of the negotiations (Salacuse, 2010).

Furthermore, the negotiations are particularly complex because the participants not only need to have a wide knowledge about the issues being discussed and negotiated about, but also should possess a cultural sensitivity. Such a sensitivity allows to adapt one's own negotiation style, considering the characteristics and behaviors of the business partner, and is crucial in face-to-face interactions (Manrai & Manrai, 2010). Ghauri (2003) corresponds in this sense by stating that the perception of the relationship by the parties is very important in international business settings. Moreover, Ghauri (2003) describes the before mentioned sensitivity as an ability to assess cultural differences and act accordingly. This can sound easy, but it is a great challenge which requires understanding and flexibility, especially when the business partners come from distinct countries.

Culture affects how people think, communicate and behave. Consequently, it also influences the way how people negotiate (Salacuse, 2010). Negotiations always involve communication, time and power and these can differ from nation to nation and make culture such a major factor in terms of strategies and tactics (Ghauri & Usunier, 2003).

Hofstede (1991) compares the different aspects of culture with the layer of an onion, considering behavior as the outmost layer including the words and actions of the counterpart in the negotiation. After that, there are the more inner layers' attitudes and norms which comprise things like punctuality and rules. The innermost layer represents values. As the core of the onion, the values of the business partner are the most difficult facet to detect by the other side. In fact, this could be an explanation why so many international ventures fail, realizing their different values only after working together and facing a severe conflict.

The IBN process itself always requires a proper preparation and since there are numerous cultural aspects to consider, the preparation can be more complicated than in the case of negotiations between parties from the same country. Peleckis (2014) states, based on the research of various authors, that there is both macro and micro information about the environment necessary to prepare properly for intercultural negotiations. In this context, macro information refers to economics, language, decision-making and politics covering the respective government and legal system. The micro information concerns other aspects such as objectives, bargaining range, management structure, etc. This information plus the knowledge about the other side's position and goals, enables the opportunity for an adequate development of strategy.

There are five different categories of negotiations processes according to Usunier (2003): scheduling the negotiation process, information processing, communications, negotiation tactics and relationship development. These five categories also represent the phases of a negotiation process where the major difficulties of IBNs will be assembled and described during this chapter. Concerning the scheduling of the negotiation process it is important to not only consider the general availability of time for the upcoming discussions, but also to clarify in which way time is seen by the participants of the negotiations. There are great cultural differences related to time, which make this point crucial for IBNs. The sensitivity to time of different business cultures will be further explained in the next section. Besides that, the participant companies may prefer to finish the tasks related to the IBN one by one on the basis of a schedule or to deal with them simultaneously to be more efficient (Usunier, 2003).

The way of the information processing mainly depends on the mindsets of the participants. There can be a problem if one side of the negotiation has a very ideological way of thinking whereas the other side thinks more pragmatic. Pragmatists are more detail-oriented and prefer to discuss specific clauses one by one. On the other hand, ideologists think more broadly and like to set principles for specific clauses beforehand to avoid detailed discussions about them (Usunier, 2003).

Communication represents a major part of negotiations and is undoubtedly a very difficult one in IBNs. It concerns numerous aspects like the degree of formality, the usage of electronic communication versus face-to-face communication or issues related to different native languages of the participants. The communication styles might differ strongly from nation to nation in respect of both verbal and non-verbal communication.

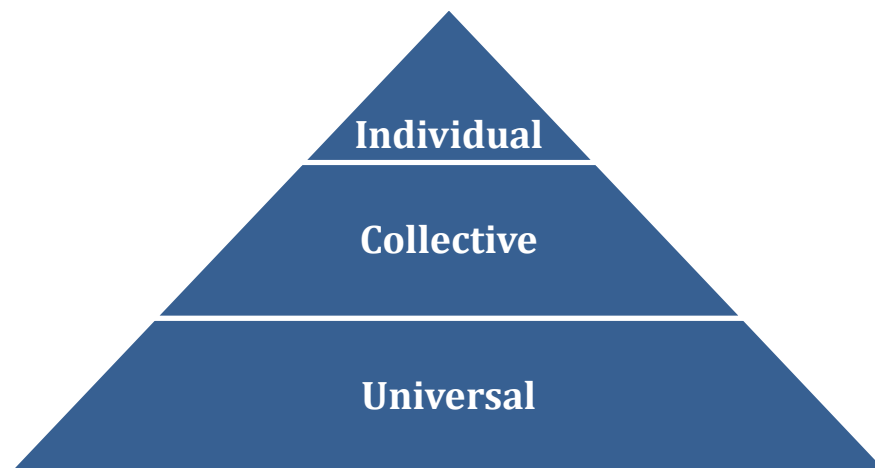
Of course, every negotiator has his own tactics during the discussions and it depends a lot on his personal experience. Cultural differences play a minor role in this category. According to Graham (1993), the negotiation tactics across cultures are very similar. In order to detecting this, Graham studied the negotiation tactics of eight different cultures. The last category of Usunier's negotiation process deals with the relationship development during negotiations. Ghauri (2003) explains that this topic is particularly important in IBNs, considering that often the involved parties have no previous experience with each other. In addition, they usually come from entirely different environments and are probably unfamiliar with the environment of the counterpart. This

can lead to a long and complex negotiation process. Furthermore, there are general differences between cultures related to this issue, since some are more result-oriented than development-oriented.

## **2.2. Different Business Cultures**

A negotiator of a worldwide operating organization does business with people from all around the world. All these people are unique, possessing not only their own personal character traits, but also the business culture from their country of origin. Hofstede (1980) distinguishes between three levels of uniqueness in mental programs, presented in figure 1. The bottom level of Hofstede's triangle concerns the universal level of uniqueness. It is inherent and shared by all. Since it is a part of human nature, almost every mankind has it. At the peak is the individual level of human programming and which is, unlike the universal, totally unique. Every individual has his own personality and there are no two people in the world that possess the exact same. Between the individual level and the universal level is the collective one. It is specifically shared within a group or category of people and differs from the programming of people from other groups. This kind of mental programming is learned and refers to the complete area of human culture (Hofstede, 1980). Therefore, also national cultures are part of the collective level of human mental programming.

**Figure 1 - – Three levels of uniqueness in human mental programming**



Source: Hofstede, 1980, p. 17

The numerous cultures that exist on our world are so diversified, that it is impossible for any negotiator to fully understand all of them. A negotiator eventually needs to face a new, unknown culture from time to time and regardless of his or her skill set and experience, a good preparation before the business discussions is indispensable, like already mentioned before. An appropriate preparation enables the negotiator to identify cultural differences and to anticipate possible misunderstandings (Salacuse, 2005).

The national culture has a tremendous effect on how an employee behaves and communicates within negotiations aside with his or her individual personality. But there are more types of cultures that have an influence in this context. Table 1 is mainly based on conclusions of Schein (1990), Hofstede (1991) and Ghauri & Usunier (2003), and presents a categorization of culture.

**Table 1 - Categorization of culture**

	Description	Origin	Dimensions	Authors
<b>National culture</b>	Culture on the national level depends on different countries. Including aspects like cultural history, language, religion, etc.	Acquired at an early stage within the family and school.	Small vs Large Power Distance Weak vs High Uncertainty Avoidance Individualism vs Collectivism Femininity vs Masculinity Short- vs Long-Term Orientation Indulgence vs Restrained	Hofstede, Ghauri & Usunier
<b>Organizational culture</b>	Culture on the organizational level depends on the type of organization incl. industry and home country.	Acquired at a later stage on the job in the respective organization.	Process oriented vs Results oriented Employee oriented vs Job oriented Parochial vs Professional Open system vs Closed system Loose control vs Tight control	Hofstede, Ghauri & Usunier
<b>Occupational culture</b>	Culture on the occupational level depends on the type of job.	Acquired at a later stage in secondary school and on the job.	e.g. engineers vs accountants politics vs lawyers biologists vs chemistries	Hofstede
<b>Subculture</b>	Culture on the level of a definable group with a shared history.	Acquired within the respective subgroup.	e.g. specific teams in a department or work groups responsible for a project	Schein
<b>Others</b>	e.g. culture of gender, generation or social class	Different stage of acquisition depending on the type of culture.	e.g. men vs women young vs older generation middle class vs high society	Schein

Hofstede (2011), who defines culture as "...the collective programming of the mind that distinguishes the members of one group or category of people from others" (p. 3), researched extensively on organizational culture and is mostly famous for his cultural dimensions theory. He conducts empirical research in order to categorize the cultural differences between nations in six dimensions and describes them as follows:

**High vs Low Power Distance:** The first dimension of the theory deals with the degree of inequality in society. In other words, it describes to which extent the members of an organization tolerate the unequal distribution of power. Since there are certain hierarchies in all societies, this distribution of power is never completely equal. In a small power-distance society, less and more powerful people are more interdependent and their income is rather even. A large power-distance society is characterized by stronger hierarchies and higher dependency between the people. Workers expect to be told what to do.

Examples<sup>1</sup>: Countries with High-Power Distance: *India, China, Russia*

Countries with Low-Power Distance: *Germany, Scandinavia*

**High vs Low Uncertainty Avoidance:** Cultures that possess a strong uncertainty avoidance usually have strict behavioral rules and laws to handle unstructured situations. There is a strong belief in absolute truth and sometimes an intolerance against fresh ideas and new approaches. In a society with a weak uncertainty avoidance, people are feeling more comfortable with unexpected events and chaotic situations. They generally have a lower stress levels due to their high self-control and accept the daily inherent uncertainty.

Examples: Countries with High-Uncertainty Avoidance: *Portugal, Japan, Russia*

Countries with Low-Uncertainty Avoidance: *China, Scandinavia*

The uncertainty avoidance dimension of Hofstede seems to overlap partly with risk aversion. Salacuse (2005) claims that this characteristic of a culture is one of the top effects on IBNs. A culture with a low risk aversion is thus more willingly to tolerate uncertainty and to try new approaches. In accordance with that, Japan leads the list of risk

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<sup>1</sup> The examples of countries that are either ranked particularly high or low in a category, cited at the end of each dimension, are based on Hofstede's research and can be assessed on his official internet site: <https://geert-hofstede.com/>

averse countries, taking decisions almost entirely in groups based on a large amount of information.

**Individualism vs Collectivism:** This dimension is related to the integration of individuals into groups. If there is a high degree of individualism, the ties between people are loose and they are expected to take care of themselves. In a society that is shaped by collectivism, the people are integrated in strong groups and they even tend to classify others as “in-group” or “out-group” instead of individuals. Moreover, there is a focus on harmony within the group and a high extent of loyalty.

Ghauri (2003) confirms that this attribute is an important factor since understanding the behavior of the other party and knowing if they are targeting a collective solution, enables the development of an effective negotiation strategy.

Examples: Countries with Strong Individualism: *USA, the United Kingdom*

Countries with Strong Collectivism: *Portugal, China, UAE*

**Masculinity vs Femininity:** Societies sometimes differ in the distribution of values between genders and their respective emotional roles. In this sense, a society can be seen as masculine “when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life (Hofstede, Hofstede, & Minkov, 1991, p. 120). In countries with a feminine society, men and women share the same modest, caring values and the balance between family and work is more important.

Examples: Masculine countries: *Japan, Italy*

Feminine countries: *Portugal, Scandinavia*

**Long-term vs Short-term Orientation:** This particular dimension was added a bit later by Hofstede based on a study of Michael Harris Bond of 1988. Simply summarized, it refers to the focus of people efforts, which can be more directed to the present and past or the future. This category captures more aspects than the name indicates. In a country with a short-term orientated society and an emphasis on present and past events, traditions are inviolable and holy. Whereas traditions in a long-term orientated society can be adapted to the current circumstances.

Examples: Countries with Long-term orientation: *Germany, China, Japan*

Countries with Short-term orientation: *USA, Portugal*



**Indulgence vs Restraint:** Besides the lastly explained dimension, there is an additional one which has not been part of Hofstede's dimensions from the beginning. The sixth dimension mainly concerns the degree of happiness of the people within the society. In this regard, a country characterized by indulgence allows free gratification of basic human desires to enjoy life. There is a bigger focus on work-life balance and a higher fraction of people that consider themselves as happy. On the contrary, in societies which tend more to restraints, the gratification of needs gets more controlled and regulated by norms and laws. Besides of a lower percentage of happy people and a lower importance of leisure, the freedom of speech is considered as less important in such countries.

Examples: Countries with high indulgence: *Mexico, Sweden, Australia*

Countries with low indulgence: *China, South Korea, India, Russia*

The cultural differences investigated by Hofstede evolved out of the respective value system each nation possesses. The values of a person are mainly acquired in an early stage of life and developed further at school and in business life. Due to this early stage of personal development, it is impossible to convince somebody that his or her values are wrong. The values are hardly discussable and sometimes even unconscious (Hofstede & Usunier, 2003).

Hofstede's dimensions help a company's decision-making in regard of choosing national markets. In simplified terms, a company should have it easier to make business in a national market with a similar culture. On the other hand, when the targeted market implicates a distinct national culture and consequently great cultural differences, bigger investments for adaptations and training of employees could be necessary (Kalé, 2003).

There are two further cultural characteristics that need to be mentioned and are not covered by Hofstede's dimensions theory. Salacuse (2005) states that the sensitivity to time and the emotionalism of a culture highly affects IBNs.

**Sensitivity to time:** In the context of negotiations, the sensitivity to time not only refers to the punctuality of the participants, but also to the nations' preference on how slow or fast the deal should be completed. Faure and Rubin (1993) describe the main cross-cultural difference in the understanding of time as follows: "In the West time is conceived of as something akin to a commodity in limited supply; just like a good, it can be saved, wasted, controlled, or organized. In contrast, in the Near East time is not a phenomenon

characterized by scarcity. As a result, disparate conceptions of time may complicate the important task of respecting the general time frame of the deadlines established for a particular negotiation” (p. 11).

**Emotionalism:** Stating that a culture generally has a high or low emotionalism may appear like a stereotypical bias, but a survey of Salacuse (2005) shows that there is a clear tendency where negotiator from Spain and Latin America are highly emotional whereas Germans and English are more centered. Of course, this facet of a person depends a lot on the individual personality, like all characteristics do.

Every country has his own individual set of characteristics which lead to their unique business culture. Furthermore, there are other important aspects to consider like the degree of context comprised in the business communication.

**High vs Low context communication:** Context is the circumstances that surround an event or message and highly depend on culture. Hall (1995) categorized nations and their respective communication in high-context cultures and low-context cultures. When there is a low context communication, the message is direct and explicit, which leads to the need of a sufficient amount of background information of the receiver of the message. The United States, Germany and the Scandinavian countries belong to the countries with the lowest context communication. On the contrary, high context messages are indirect and implicit. Since the communication depends highly on the context here, the major part of the information is already known by the receiver. Countries with high-context cultures are India, China, Japan and Korea (Merkin, 2009). Since Asians prefer indirect communication, the counterparts often need to “read between the lines”.

Sebenius (2002) raises further questions that negotiators should try to answer themselves before a cross-culture discussion:

How do the people greet and address each other? What degree of formality is expected? How are the attitudes toward body contact and direct eye contact? What about general body language, eating manners and punctuality?

These issues seem to be superficial, but they are as crucial as the before described cultural differences. With a certain sensitivity to them, the negotiator demonstrates respect and avoids offense and the communication runs easier.

Besides of the high regard and acknowledgement of Hofstede's dimensions, there also have been various critics. The major part of the criticism refers to the applied approach and challenges the research methodology, indicating that the used surveys are not suitable and some data were too old and therefore obsolete (Hofstede, 2002).

Nevertheless, the dimensions represent meaningful relationships with important indicators concerning demography, geography, economy and politics. In this sense, they should not be seen as characteristics of individuals, but as attributes of a group of persons with a similar background in terms of education and life experience (Kalé, 2003).

Furthermore, like already mentioned, all characteristics and ways of doing business of the various national cultures, also depend highly on the personality of the person. To emphasize that the worldwide stereotypes are obviously not always applying, Salacuse (2005) appropriately stated that "There are passive Latins and hot-headed Japanese" (p. 3). Apart from this, the individual differences of the personality of a person influence the process and outcome of a negotiation extensively, independent of the cultural environment he or she is from (Money, 2003).

Manrai and Manrai (2010) call Hofstede's dimensions theory a phenomenal contribution in the area of cross-cultural psychology and conclude in the following cultural tendencies between East and West: Based on the average scores and rankings of Hofstede's research, Eastern countries are high on power distance, high on uncertainty avoidance and also high on collectivism. They are mixed on masculinity/femininity and more long-term oriented in comparison with Western countries. This overall theme is especially interesting due to the fact that China is growing further as an economic power and with it the degree of international trade with Western countries.

### **2.3. International Distance**

The dimension of cultural distance between two negotiating parties from different origins has been presented and described in the previous section. But the general international distance does not only involve the cultural aspects of the business discussions, of course. The very first distance between countries that comes in mind is the geographical one. This geographical distance goes far beyond the question of how far the countries are away from each other in kilometers. It covers issues like the location of the foreign company within its country, the distance to other borders, the accessibility to waterways and, not

to forget, a country's transportation and communication infrastructure. Geographical distance affects the costs of transportation depending on the type of product (Ghemawat, 2001). This particular issue will not be discussed further since it concerns more the actual content of the international negotiations and less the general conditions of the discussions. Another facet of international distance is the administrative or so-called political distance. The current political situation between two countries has a huge impact of their trading activities with each other, of course. According to Salacuse (2010), foreign governments are important players in international business and represent another potential barrier to successful IBNs. If countries have historical and political associations, they are more likely to have wide trade activities with each other. A country usually has continuing ties with its former colonies, if there have been some, for example. Besides that, a political union and a shared currency lead to increased trading, which can be seen in the European Union.

A further aspect of international distance concerns the economy of the respective countries. In this regard, the income of the consumers is the most important attribute. There is a general tendency that countries, regardless if they are rich or poor, prefer to make trade with rich countries that have a wealthy economy (Ghemawat, 2001). Kalé (2003) stresses that the economies not necessarily mean that a company has good chances of success in the foreign market. If a company has to choose between two partners from countries with comparable markets and economies, it should probably select the one with the more similar business culture.

Ghemawat (2001) created the so-called CAGE-distance framework, which is composed by the cultural, administrative, geographic and economic distance, which have been described earlier. The graph includes not only the key attributes of the four kinds of distances, but also the respective effects on products and industries. The framework (see Table 2) enables the identification and assessment of impacts of distances related to various industries and is shown on the following page.

**Table 2 - CAGE framework**

	<b>Cultural Distance</b>	<b>Administrative Distance</b>	<b>Geographic Distance</b>	<b>Economic Distance</b>
<b>attributes creating distance</b>	<p>different languages</p> <p>different ethnicities; lack of connective ethnic or social networks</p> <p>different religions</p> <p>different social norms</p>	<p>absence of colonial ties</p> <p>absence of shared monetary or political association</p> <p>political hostility</p> <p>government policies</p> <p>institutional weakness</p>	<p>physical remoteness</p> <p>lack of a common border</p> <p>lack of sea or river access</p> <p>size of country</p> <p>weak transportation or communication links</p> <p>differences in climates</p>	<p>differences in consumer incomes</p> <p>differences in costs and quality of:</p> <ul style="list-style-type: none"> <li>• natural resources</li> <li>• financial resources</li> <li>• human resources</li> <li>• infrastructure</li> <li>• intermediate inputs</li> <li>• information or knowledge</li> </ul>
<b>industries or product affected by distance</b>	<p>products have high linguistic content (TV)</p> <p>products affect cultural or national identity of consumers (foods)</p> <p>product features vary in terms of:</p> <ul style="list-style-type: none"> <li>• size (cars)</li> <li>• standards (electrical appliances)</li> <li>• packaging</li> </ul> <p>products carry country-specific quality associations (wine)</p>	<p>government involvement is high in industries that are:</p> <ul style="list-style-type: none"> <li>• products of stable goods (electricity)</li> <li>• products of other “entitlements” (drugs)</li> <li>• large employers (farming)</li> <li>• large suppliers to government (mass transportation)</li> <li>• national champions (aerospace)</li> <li>• vital to nat. security (telecommunications)</li> <li>• exploiters of natural resources (oil, mining)</li> <li>• subject to high sunk costs (infrastructure)</li> </ul>	<p>products have a low value-to -weight or bulk ratio (cement)</p> <p>products are fragile or perishable (glass, fruit)</p> <p>communications and connectivity are important (financial services)</p> <p>local supervision and operational requirements are high (many services)</p>	<p>nature of demand varies with income level (cars)</p> <p>economies of standardization or scale are important (mobile phones)</p> <p>labor and other factor cost differences are salient (garments)</p> <p>distribution or business systems are different (insurance)</p> <p>companies need to be responsive and agile (home appliances)</p>

Source: Ghemawat, 2001, “Distance still matters”, p. 1

## 2.4. Further Aspects

There are numerous further factors that can have an impact on IBNs. One of them is the country image each nation possesses. Like explained previously, every country developed its own distinct culture that not only reflects in everyday life but equally in business life. As a consequence, these cultures including the respective mentality of the people, create

country images. There are various definitions for country image, which mainly differ based on the degree on how much the country perspective is related to its products. Martin & Eroglu (1993) define it as “the total of all descriptive, inferential and informational beliefs one has about a particular country” (p. 193), summarized and based on reviewed literature and undertaken discussions. Of course, the image of a country is not only shaped by the nation’s culture, but also by dimensions such as its politics, economy and general appearance in worldwide media.

Every country has his own unique image whereas some are more distinctive than others. Some examples of well-known images of European countries are:

The United Kingdom stands for status and heritage. Germany highlights quality and reliability, being one of the world’s leader in the automobile industry. Switzerland mainly implies precision and is famous for the Swiss clock. France stands for life quality and luxury, providing the rest of the world with excellent wine and expensive jewelry. Italy highlights style and sensuality, generating one of best architects and designers (Nebenzahl, 2007).

The given examples all show the positive ideas of the world about the countries. On the other hand, there all usually also negative bias connected to country images. A major effect of country images lies in the present impression on both industrial and consumer buyers. If a buyer is not able to assess the true quality of a country’s product, he or she consciously or unconsciously uses the image of the country for the evaluation of the product (Martin & Eroglu, 1993). Josiassen et al. (2013) stress that the dominant part of the literature about country image is related to the product-origin perspective. An adequate definition of country image with an emphasis on the products associated with a country is “the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country” (Nagashima, 1970, p. 68). Since the participants in IBN are often conducting business together in a Buyer-Seller relationship, a country image can be a very relevant aspect to consider.

In a scenario where a company from Europe negotiates with a Japanese manufacturer because it is interested in its products, the final purchasing decision can be effected by the country image in a strong way. In that case, the origin image of Japan is a very positive one and gets connected with great quality of production of a highly-developed country (Nebenzahl, 2007). In the context of IBN, managers negotiating in the name of an

international operating company eventually have to evaluate the extent to which country images are favorable or unfavorable (Martin & Eroglu, 1993).

Of course, the perception and feelings somebody has towards a nation does not only depend on the general image of that country, but is also contingent on his or her personal experience and evaluation in a great amount. Besides that, it is important to take into account that the image of a country differs from region to region and nation to nation. For example, Japan can have a generally good country image in terms of quality of production in Europe but a bad image in Asia at the same time. This is due to the fact that the relationship between two countries is always unique and build on past history together. If two nations have a very negative attitude towards each other, it is called *animosity*. Klein et al. (1998) defines animosity as the “remnants of antipathy related to previous, or ongoing military, political, or economic events” (p. 90). Equal to the image of a country, animosity influences especially consumer product judgments and purchase choices (Russell & Russell, 2010). A consumer maybe decides not to buy a product of a specific origin not based on the characteristics and the quality of the item, but due to the bad country image he or she has towards that nation, which is equivalent to animosity. This leads to the assumption that the participants of an IBN between countries with a present animosity need special sensitivity.

## **2.5. Global Mentality and Cultural Intelligence**

The most important challenges that occur in IBNs have been described in the previous sections. In order to overcome these difficulties and to have constructive negotiations in an international environment, the participants need have the right capabilities. In this context, a global mindset paired with cultural intelligence is necessary. If one of the participants lacks both of those capabilities, the discussions are more difficult and a positive outcome is not likely.

A global mindset can generally be seen as a combination of awareness and openness to the diversity of cultures. It always develops and redefines somebody’s mental schemas based on experiences (Chen & Lovvorn, 2011). Levy et al. define a global mindset as a “mindset that involves cultural self-awareness, openness to and understanding of other cultures, and selective incorporation of foreign values and practices” (2007, p. 237). This special way of thinking is crucial for managers that either work in an international

environment within the own organization or do business with companies of foreign countries. A global mindset enables people to cross cultural boundaries and to interact with business associates from various countries (Levy, Beechler, Taylor, & Boyacigiller, 2007). Only with that ability, it is possible to manage diverse international relationships and the negotiations and discussions that take place in them.

According to Kedia and Mukherji (1999) the basis of a global mindset is composed by knowledge and skills. While knowledge represents, in this context, the appreciation of the existence of differences, skills are the respective abilities to put the knowledge into action. The required knowledge for the development of a global mindset mainly covers three areas: firstly, a mastery over business IT and telecommunications; secondly, the understanding of socio-political factors of the different countries the manager has to deal with and lastly, the general appreciation of the role of culture and the consequent cross-cultural issues that impact management decisions (Chen & Lovvorn, 2011).

Keeping in mind the various difficulties in IBNs that have been explained previously, it is easy to see the connections between them and the knowledge aspects of a global mindset. Often IBNs include discussions held via phone or video conference since the participants cannot always meet physically due to the geographical distance. That is why a negotiator must have an appropriate knowledge about how to use telecommunications, for example. The understanding of socio-political factors is highly related to the CAGE-framework of Ghemawat, that has been presented earlier in the chapter regarding international distance. To conclude the idea of Kedia and Mukherji (1999), the knowledge has to be paired by skills. These skills are the adaption and the ability to develop leadership for managing cultural diversity.

Besides a global mindset, cultural intelligence (CQ) is the second important skill, a negotiator should have to handle cultural challenges in an IBN. The concept of CQ was developed in 2003 by Early and Ang and is simply defined as “an individual’s capability to function and manage effectively in culturally diverse settings” (Ang, et al., 2007, p. 336). CQ refers to situations that include cross-cultural interactions arising from differences in race, ethnicity and nationality and because of that it is highly related to IBNs. It is important to bear in mind that doing business with organizations from foreign countries is especially complex since cultural background affects prototypes and schemas about appropriate management behaviors. Of course, a manager must have a sufficient



general intelligence as well as a certain emotional intelligence to negotiate effectively. But since only CQ explicitly refers to cross-border interactions, it is very important to consider while talking about IBNs (Rockstuhl, Seiler, Ang, Van Dyne, & Annen, 2011). CQ comprises four different dimensions that all have a specific relevance in settings with cultural diversity. There are cognitive-, metacognitive-, motivational- and behavioral facets. Cognitive CQ focuses on the knowledge of somebody about the common norms and practices in different cultures, covering the respective economic, legal and social system. This knowledge is usually acquired from education and personal experience and enables the understanding of similarities and differences across cultures (Ang, et al., 2007). The metacognitive-facet is about the mental processes managers need to understand cultural knowledge and can only be achieved with self-awareness and strong reasoning skills (Chen & Lovvorn, 2011). Rockstuhl et al. (2011) outline metacognitive CQ as the level of conscious cultural awareness that somebody has during intercultural interactions. Metacognition is an important part of CQ and involves higher level cognitive strategies like the development of a guideline before new cultural interactions.

Motivational CQ refers to the “capability to direct attention and energy toward learning about and operating in culturally diverse situations” (Rockstuhl, Seiler, Ang, Van Dyne, & Annen, 2011, p. 827). A global manager with a high motivational CQ is able to successfully handle tasks and interact with counterparts from foreign countries without problems. He or she possesses a distinct self-confidence to communicate with foreign people (Chen & Lovvorn, 2011). The last dimension of cultural intelligence is the behavioral one. In simplified words, it reflects the ability to use appropriate words and phrases when communicating with other cultures. Behavioral CQ also influences nonverbal actions and demonstrates the adaptation of somebody’s behavior to reach effective interactions (Rockstuhl, Seiler, Ang, Van Dyne, & Annen, 2011).

CQ capabilities are helpful for managers that negotiate with people from foreign countries for several reasons. Somebody that possesses a high cultural intelligence tends to check his or her cultural assumptions during the intercultural interactions and thinks more about the values, biases and expectations of the other person. Besides that, the awareness during international discussions as a part of cognitive CQ encourages to understand the impact of the own culture and background. When negotiators combine their understanding about

the different cultural aspects that are present in the business meetings with motivation and behavioral flexibility, they can adapt their strategy accordingly and are on a good way to succeed in IBNs (Rockstuhl, Seiler, Ang, Van Dyne, & Annen, 2011).

## **2.6. Summary**

It is conspicuous that most difficulties in IBNs are related to the different cultural backgrounds of the participants. As a consequence, the work will have a focus on the cultural aspects, without totally ignoring the other sources of troubles. The literature review showed that there are more studies concerning the difficulties in IBNs, than there are guidelines how to specifically handle them. One reason could be, that there are too many cultural variations to provide more than basic guidance. Surely, a global mindset paired with cultural intelligence helps negotiators in their interactions with firms from foreign countries, but it can only be considered as a first step to be successful in IBNs.

Earlier in this chapter, it has been mentioned that Usunier (2003) categorized negotiations processes as follows: Scheduling the negotiation process, Information processing, Communications, Negotiation tactics & Relationship development

In order to organize and examine the various challenges in IBNs more clearly, the same logic will be maintained and the difficulties of IBNs will be categorized in their respective phase. Table 3 at the end of this chapter shows the phases with their major potential difficulties, which already have been briefly explained by the literature review.

The first phase concerns the scheduling of the negotiation process. It relates to all meetings that occur throughout the business making between the negotiating companies, from the first entry meeting where the participants meet for the first time, until the final meeting where the negotiations get closed and hopefully a profitable deal gets signed. This phase is usually more complicated the more geographical distance lies between the companies due to different time zones. Nowadays, it is already hard enough to find a time spot where all necessary persons are available, a big gap between the respective local times can further shrink this already small time frame. In terms of the cultural aspects, the negotiators can possess a different sensitivity to time. Like already described earlier, this characteristic of a business culture mainly refers to the pace of the negotiations process and can be very distinct, especially when one participant is from the Western

world and the other from Far East. Furthermore, there can be diversified general scheduling approaches as well.

The way of processing information, which represents the second phase of the negotiation process, is mainly characterized by an either ideological mindset (broad view) or a pragmatic (detailed orientated) mindset of the respective negotiators. Of course, someone can possess a mixture of these different ways of thinking. Two challenges that occur in particular in IBNs are the potential administrative distance between the countries and distinct degrees of uncertainty avoidance as part of the business culture.

The ways of communication represent a crucial part of the overall process and can be very complex in IBNs. The general manner of communication in IBNs usually comprises electronic communication like e-mails & telephone/video-conferences and face-to-face communication. When the negotiating parties meet personally and the discussions include talks from experts like engineers or scientists, it is likely that the usage of an interpreter is necessary since it is seldom the case that all participants can speak a proper English. An interpreter can enable discussions between the foreign parties, nevertheless such discussions are prone to misunderstandings, especially when the topics are very technical or scientific and hard to translate in a clear way. Cultural characteristics like the different degrees of power distance, high or low context communication and even the degree of formality during the encounters can be distinct in IBNs and lead to a difficult negotiation process with various difficulties.

In respect of IBNs, the negotiation tactics conducted by the companies' negotiators are also an important facet to be taken into account. There are different degrees of emotionalism existing besides an either more individual or more collective way of doing business as part of the culture. These cultural aspects have an impact on the negotiation tactics which can be distinct anyway in IBNs.

The last phase of IBNs deals with the relationship development between the business partners. The relevance of building and maintaining such a business relationship can be very different depending on the companies and their cultures. An important role in this regard, plays the country images and potential animosities between the nations. The two aspects should not be such important factors in an open minded and liberal world, but nevertheless they are factors that often affect relationships subconsciously.

**Table 3 - The phases of IBNs and their respective challenges**

Phase	Description	Potential difficulties	Authors
<b>Scheduling the negotiation process</b>	This phase is related to the scheduling of the various negotiation rounds including informative meetings.	<ul style="list-style-type: none"> <li>• Availability of participants</li> <li>• Different time zones and big geographical distance</li> <li>• Different sensitivity to time</li> <li>• Different scheduling approach</li> <li>• “One by one” vs “simultaneous approach”</li> </ul>	Usunier Salacuse, Ghemawat Usunier, Faure & Rubin Usunier
<b>Information processing</b>	The kind of processing information highly depends on the negotiators way of relating thinking into action.	<ul style="list-style-type: none"> <li>• Different mindset related to processing information</li> <li>• Ideologism vs pragmatism</li> <li>• Administrative distance (i.e. government involvement)</li> <li>• Different degrees of Uncertainty Avoidance</li> </ul>	Usunier  Ghemawat Hofstede
<b>Communications</b>	The communication phase is especially prone to misunderstanding in IBN and covers all aspects concerning the way the participants communicate with each other.	<ul style="list-style-type: none"> <li>• Degree of formality</li> <li>• Way of communication</li> <li>• “Electronic communication” vs “Face-to-face communication”</li> <li>• Different native languages (Maybe usage of interpreter)</li> <li>• Communication style</li> <li>• High vs Low Context Communication</li> <li>• Different degrees of Power Distances</li> </ul>	Usunier, Sebenius Usunier  Salacuse Usunier Hall, Merkin Hofstede
<b>Negotiation tactics</b>	Every negotiator has his own negotiation tactic which usually is mainly based on education and experience	<ul style="list-style-type: none"> <li>• Distinctive negotiation tactics from country to country</li> <li>• Different degrees of emotionalism</li> <li>• Individualism vs Collectivism</li> </ul>	Usunier Salacuse Hofstede
<b>Relationship development</b>	From the first contact until the accomplishment of a deal, a unique relationship between the participants develops	<ul style="list-style-type: none"> <li>• Different importance related to the relationship</li> <li>• Long-term vs Short-term orientation</li> <li>• Country image &amp; animosity</li> </ul>	Usunier Hofstede Nebenzahl, Russel & Russel

### **3. Methodological Aspects**

In this chapter, the methodological aspects are explained. First, the research design and the research setting are described before the company of the internship and its environment get introduced in detail. After that, the data collection and ordering is justified. The last subchapter concerns the data analysis, presenting how the conducted interviews have been analyzed with the help of an adequate software.

#### **3.1. Research Design and Research Setting**

The major purpose of this work is to find out how IBNs can be successful. In the previous chapters, the various problems and obstacles that can occur in intercultural interactions have been presented. In order to answer the research question of this work properly, a qualitative approach will be applied. A qualitative approach makes it possible to explore individuals or organizations and to describe a phenomenon in context (Yin, 2003). More precisely, the grounded theory model as a style of qualitative research will be used. It is composed by concepts, categories and propositions and is constructed in the following way: research design, data collection, data ordering, data analysis, and literature comparison (Pandit, 1996).

The qualitative data will be collected via interviews with employees of the company Bosch. The interviewed employees are working in departments where they regularly negotiate with companies from other countries. The two areas that normally involve the most negotiations are the purchasing and sales departments. Bosch is a suitable company to investigate how IBNs can be successful as a multinational corporation that operates worldwide, having 350 subsidiaries and regional companies in over 50 countries and sales and service partners in roughly 150 countries<sup>2</sup>. All interviewed people are working in the automotive sector of Bosch, which still represents the biggest revenue stream, considering that we are talking about the biggest supplier in the automobile industry on earth. The different locations of Bosch all over the world work together and even share suppliers. As a consequence, many departments have an international environment and the employees are used to work in multinational teams. Moreover, the negotiators of the

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<sup>2</sup> [http://www.bosch.com/en/com/bosch\\_group/websites\\_worldwide/websites\\_worldwide.html](http://www.bosch.com/en/com/bosch_group/websites_worldwide/websites_worldwide.html)

purchasing and sales departments do business with various kinds of cultures and have to face the numerous challenges described in the literature review.

There are even further advantages for the chosen methodology and the source of data. Since the interviewed employees are all from the same company, they share the same organizational culture. Due to that fact, the focus on the national culture gets supported. The automobile industry is an appropriate research area as well, having relevance on all continents.

In order to reach a more meaningful and detailed outcome, the analysis will have an emphasis on specific countries and their respective business cultures. The chosen nations are Germany, China and Brazil. This selection has several reasons. First, all of these countries are big players in the automobile industry and consequently there are many companies and suppliers located there. Second, and very important as well, the respective business cultures of the nations are distinctive and very different from each other, which makes it highly interesting to analyze. Lastly, the internship is conducted at the Brazilian location of the company, keeping in mind that it belongs to a German cooperation and will be sold to a Chinese group of companies towards the end of the year.

### **3.2. The company and its environment**

In this section, the company where the internship and the work is conducted, will be presented. In order to understand better the general connections of the supply-chain of the market the company is operating in, the automobile industry will be described.

#### **3.2.1. Robert Bosch Starter Motors and Generators**

Robert Bosch Starter Motors and Generators (RBSG) is a part of the Bosch group of the automotive sector. RBSG develops and produces starter motors and generators for passenger cars and commercial vehicles. In addition to that, this division also produces electric motors for hybrid vehicles. RBSG has much experience in creating customer-oriented, innovative products and services and consequently only offers products that meet the highest standards.<sup>3</sup>

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<sup>3</sup> [http://www.bosch.de/en/de/our\\_company\\_1/business\\_sectors\\_and\\_divisions\\_1/starter\\_motors\\_and\\_generators\\_1/starter-motors-and-generators.html](http://www.bosch.de/en/de/our_company_1/business_sectors_and_divisions_1/starter_motors_and_generators_1/starter-motors-and-generators.html)

Although RBSG had a successful year of 2016 with good prospects for the upcoming years, the Bosch group decided to sell the division due to strategic reasons. The spinoff of RBSG will be finished in the course of 2017 and a new buyer will take over the division and include it in its own organization. Figure 2 shows the different locations worldwide that RBSG possesses, which clearly illustrates that the company stays very international even after the spinoff of the Bosch group. It has producing facilities in Germany, Spain, Hungary, South Africa, India, China, Mexico and Brazil. Furthermore, there are further offices, which represent either a regional entity or a shared service center, in France, Portugal, Japan and the United States. This geographical orientation will not change a lot in the next year even with a new owner.

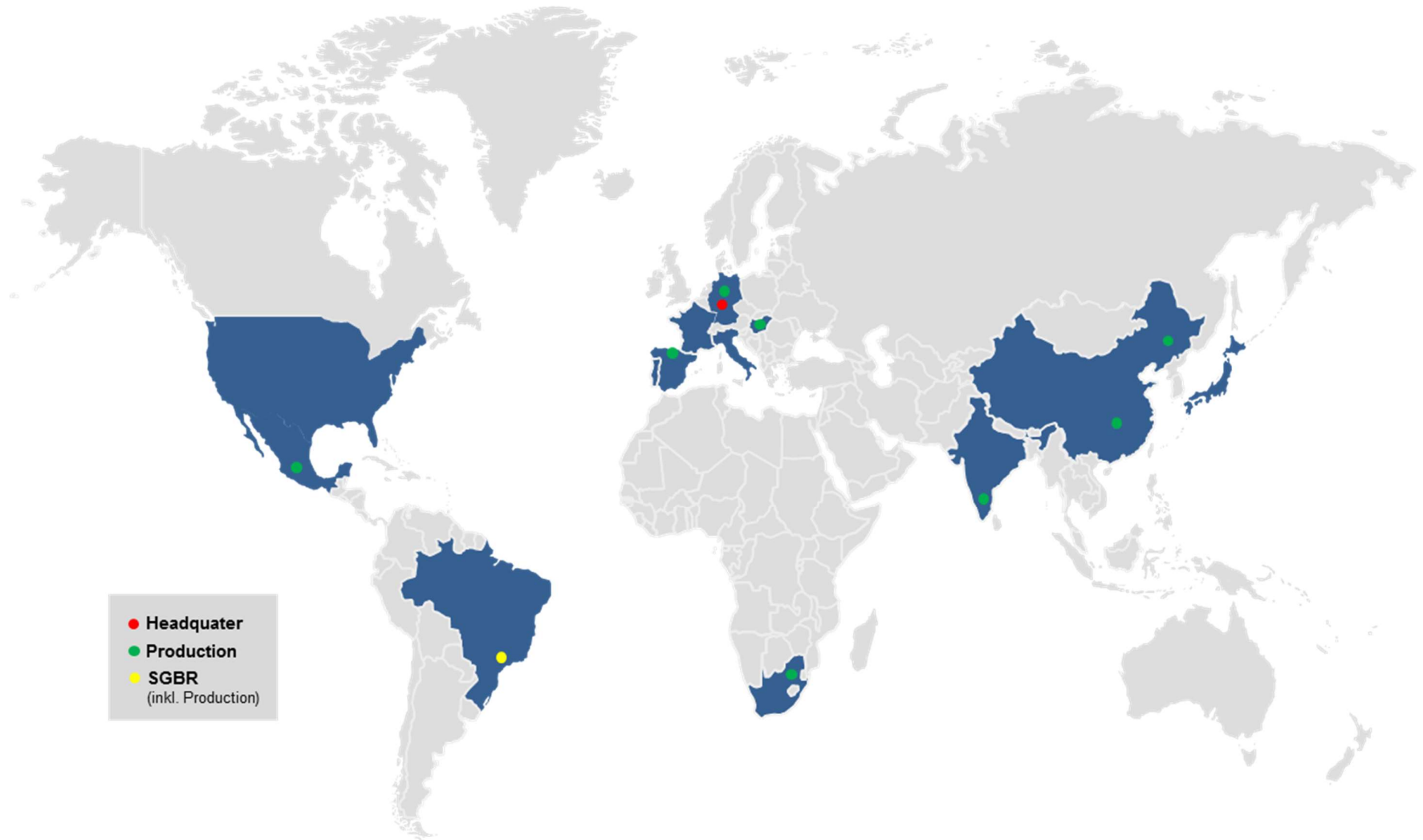
The internship is conducted at the Brazilian location of RBSG in Campinas near São Paulo. This location is also known as Starter Motors and Generators Brasil (SGBR). Like mentioned in the previous chapter, the analysis will focus on three different countries and their distinctive business cultures: Brazil, Germany and China. For the employees of SGBR, such an investigation is very interesting and helpful, since they have regular contact to German and Chinese business partners. The number of Chinese suppliers is expected to increase due to the fact that the new buyer of RBSG is Chinese.

### **3.2.1. The automobile industry and the respective markets**

This subchapter deals with the automobile industry and provides the necessary information for understanding the characteristics of the market that end in numerous IBNs.

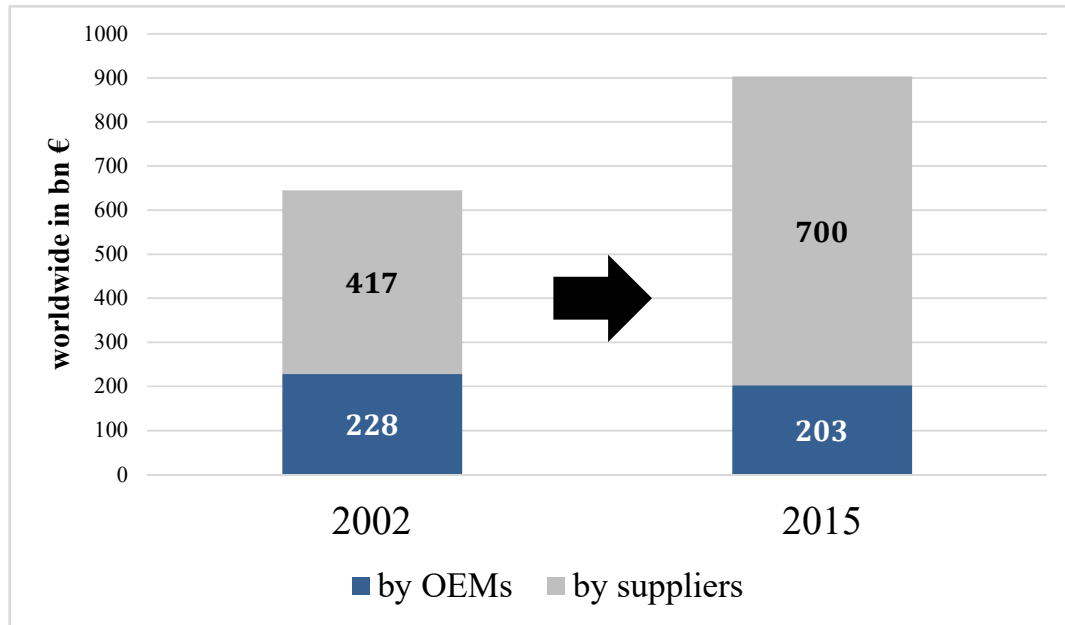
The automobile industry comprises some characteristics that clearly distinguish it from other markets like the fact that it is mainly driven by mass production. It is also an industry that where the quantity of modules and subsystems in the end product (the car) is very high. These characteristics are two of the factors that make the supply chain of the automobile industry a very complex and challenging part for every company involved. Besides that, there is general trend to outsourcing in the automobile industry, since it is often more profitable to disincorporate a certain part of the car production and to focus on the core competences. Figure 3 illustrates the forecasted trend of the added value evolution in the automobile industry generated by the original equipment manufacturer (OEMs) like Mercedes, Volkswagen, Ford, etc. and their suppliers.

**Figure 2 – Worldwide locations of RBSG**





**Figure 3 – Added Value Evolution**



Source: Wyman, 2012, “FAST 2025: Future Automotive Industry Structure: eine Studie”

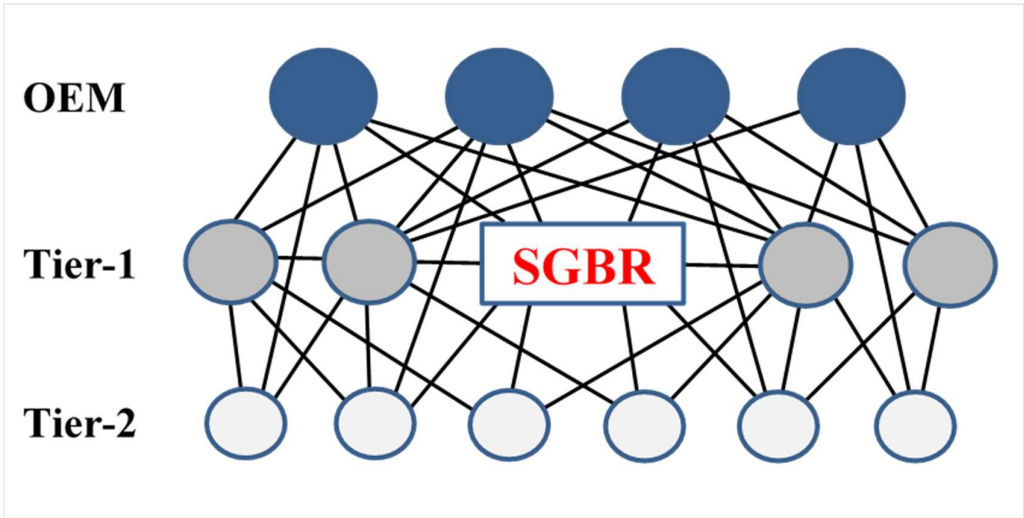
The fact that the added value generated by the suppliers increased significantly over the last fifteen years, shows how the outsourcing activities of the OEMs are increasing.

One important reason for this development is the circumstance that the variety of automobiles is advancing as well. Nowadays, the car buyers are much more demanding than some decades ago, and they increasingly often want a car with specific equipment and features. This big number of product variety represents a difficult challenge for the OEMs, which they only can handle with the help of a skilled and reliable supplier base.

The suppliers of the automobile sector mainly differentiate themselves by the kind of product that they produce. Some suppliers are specialized in small and simple parts, which they produce in mass for a cheap price, for example. Whereas at the other end, there are suppliers that deliver complex and highly technologized components to the OEMs. Suppliers that manufacture and sell more sophisticated parts are called “Tier-1” suppliers and suppliers of more modest parts are called “Tier-2/3”-suppliers. Of course, a strict categorization of some suppliers is not possible since they usually have a diverse product line. For that reason, it can be that a supplier can be seen as both, a Tier-1 and Tier-2 at the same time. SGBR as a supplier of starter motors and alternators, clearly

belongs to the category of the Tier-1 suppliers. Figure 4 shows a simplified illustration of the supply chain, where SGBR is operating in.

**Figure 4– Supply Chain Structure**



Source: Own elaboration

Like already mentioned, the complexity of the supply chain in the automobile industry is huge due to the multifaceted supplier-customer-relationships. The Tier-1 suppliers usually produce for various OEMs and sometimes also for other Tier-1 suppliers. The Tier-2 companies normally supply to Tier-1s and can also have some direct business relations to the OEMs. The described trends of the automobile industry and the sophisticated supply chain of the market, consequently lead to a high number of distinct business relationships. Since it is also a market where circumstances can change quickly and immediate action must be taken from time to time, there is a need of a solid customer base and a reliable supplier pool. All the described aspects amount to many negotiations throughout the year between the different companies, where the customized agreements get developed and signed. Needless to say, that the automobile industry plays an important part all over the world and a significant fraction of the negotiations are IBNs between organizations from different countries.

The three automotive markets of Brazil, Germany and China belong to the ten biggest worldwide based on the total production of motor vehicles (passenger cars and commercial vehicles) in 2016, see table 4 on the next page.

**Table 4– Ranking of countries by total motor vehicle production**

#	Country	Total motor vehicle production	Change
1	China	28,118,794	+ 14.5 %
2	USA	12,198,137	+ 0.8 %
3	Japan	9,204,590	- 0.8 %
4	Germany	6,062,562	+ 0.5 %
5	India	4,488,965	+ 7.9 %
6	South Korea	4,228,509	- 7.2 %
7	Mexico	3,597,462	+ 0.9 %
8	Spain	2,885,922	+ 5.6 %
9	Canada	2,370,271	+ 3.8 %
10	Brazil	2,156,356	- 11.2 %

Source: Organisation Internationale des Constructeurs d'Automobiles (OICA)

<http://www.oica.net/category/production-statistics/>

In 2016, Brazil maintained their position in the top ten biggest car producing countries, although the country is currently in one of their severest economic crisis. With a decreasing number of demand of automobiles due to the low purchasing power of its population, Brazil produced around 2,15 million cars last year, which is a relatively small quantity if you consider that they managed to produce around 3,36 million two years ago. Nevertheless, the country still represents the most important automobile market in South America by far. All big OEMs are active in Brazil with GM, Fiat and Volkswagen as the dominant producers. It is expected that the Brazilian automobile market will recover and regrow as soon as the country arises from the economic crisis. Moreover, the market has a huge potential, considering that only one person out of five possesses an own car in Brazil.

Germany has always been a big player in the worldwide automobile market and a lot of credit regarding the actual invention of the first car goes to German engineers like Karl Benz, for example. The cars of the biggest German OEMs like Mercedes-Benz, BMW and Audi stand for reliability, high performance and supreme quality, developed and manufactured by German engineering. In terms of total motor vehicle production, the German market is stagnating, without significant decreases or increases over the last ten

years. The German car producers are doing well at the moment and the automobile market is expected to stay one of the most important industries in the future in Germany, although it will be interesting to see the adaptation of the market to the current development in electronic driving and the respective, increasing competition from innovative car producers from the United States, like Tesla.

The quickest growing market in the automotive industry is by far the Chinese one. There was a further growth of almost 15% from 2015 to 2016, leading to a total number of motor vehicle production of around 28,12 million. This huge number, which is composed by around 24,42 million passenger cars and 3,70 million commercial vehicles, makes China the current leader of the worldwide automotive industry with a big gap to the second placed nation, the United States, which produced less than the half in comparison. Many experts disagree in the question if the 'Boom' of the Chinese automobile market will continue further or stop soon. In any case, the future focus here lies in the segment of electric cars like in the German market.<sup>4</sup>

### **3.3.Data Collection and Data Ordering**

Like mentioned in the previous section, the interviewed persons are all working in the automotive sector of Bosch and negotiate frequently either as a buyer as part of a purchasing department or as a sales representative from the sales department. The half of the interviewees are not only part of Bosch but directly of RBSG. Anyway, this differentiation does not have any effect on the degree of experiences of the employees.

In total, there have been six interviews conducted, resulting in almost 30 pages of transcript. The amount of information gathered through the interviews was adequate and satisfactory to carry out the analysis and to create meaningful guidelines, thanks to the extensive knowledge of the interviewed persons in terms of IBNs in the context of the observed countries Germany, China and Brazil. Since the interviews have been conducted with the help of questionnaire, they can be considered as structured interviews based on a standardized set of questions. The questionnaire comprises two parts, starting with the following five, rather open and generalized questions:

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<sup>4</sup> <http://www.oica.net/category/production-statistics/>

- How did you prepare your negotiations with Chinese/Brazilian/German companies and how important do you value such a preparation? Did the preparation differ compared with a negotiation with a local counterpart?
- What characteristics/capabilities/mindset somebody should have to be able to successfully negotiate with foreign cultures?
- What major differences do you see between the Chinese/Brazilian way of negotiating/doing business and the German one and how did you handle them?
- What are the most important aspects to consider in order to negotiate successfully with Chinese/Brazilian/German companies? Are there specific obstacles/challenges to bear in mind?
- Did you adapt your own style of negotiating in any way? If yes, how?

Depending on the work circumstances and the respective experience of the interviewed persons, the country names in the above questions have been changed accordingly. For example, a German that lived and worked in China, has only been asked about his experience with Chinese counterparts and not with Brazilians.

The second part of the questionnaire refers to the 19 potential difficulties that can occur in IBNs, illustrated before in table 3. Every of these aspects, has been discussed one by one with the interviewed persons whereas it often happened that they already raised some of the points in the first part of the questionnaire. This circumstance has been expected and was part of the strategy of the interviews. With the persons already mentioning and describing aspects of the table while answering the first five open questions, it was easy to notice quickly which points are especially important when negotiating with the respective culture. Besides that, emerging aspects that have not been part of the table could be detected since the interviewed persons only looked at the table when starting the second part of the questionnaire.

The first four interviews took place during middle of May and beginning of June 2017 during the internship in Brazil.

The first person to be interviewed was Alexander Djordjevic, which worked in a purchasing department at Bosch in the past and is still working at Bosch today with a different function. Mr. Djordjevic is German and was the only interviewed person that did not actually live in the country that has been discussed during the interview. Nevertheless, his experience is extensive enough to give deep insights regarding

successfully negotiating with Chinese counterparts, since he frequently had negotiations and business meetings with Asian suppliers for several years, including various on sight visits in China.

The second interview was conducted with Volker Racho (name has been changed). The settings were the same as in the first interview since Mr. Racho is also German who negotiated various times with Chinese counterparts. Moreover Mr. Racho lived in China for three and a half years besides of five years in Germany where he also had constant contact with Chinese and visits to China. He has an enormous knowledge regarding the Chinese working culture due to his job functions and work life in China. Mr. Racho speaks Mandarin Chinese and worked as an intercultural trainer for several years, giving advice to understand the Chinese culture and its distinctive way of doing business. Needless to say, that Mr. Racho was the perfect person to be interviewed for this work and the discussion with him, that lasted two hours, lead to an extensive amount of information for the analysis.

After the first two interviews which covered the comparison between Germany and China, Sebastian Fielitz revealed insights of a German working in Brazil. He is working in the sales department of Bosch and has frequent negotiations with Brazilian counterparts. Besides that, he already lived in Brazil before starting to work there and he speaks Portuguese fluently.

The first three interviews were conducted via Skype business. These conversations have been recorded and translated from German to English by the author.

Mr. Jair Pasquini was the first non-German person to be interviewed. He is Brazilian and lived and worked both in Germany and China. So, he was able to set all three countries in comparison and presented valuable advice how to handle with each one of them. The fourth interview with Mr. Pasquini was the first one that took place in person in Brazil.

From June to middle of July, the interviews have been analyzed after their transcription and compared with the findings of the literature review. Although a good amount of qualitative information has been collected, there were aspects that needed to be investigated more deeply to understand them better and to be able to give helpful recommendations at the end of the work. Therefore, two more interviews have been scheduled for the end of July and took place in Germany after the internship in Brazil. Since the questionnaire has been slightly adjusted and specific aspects have been

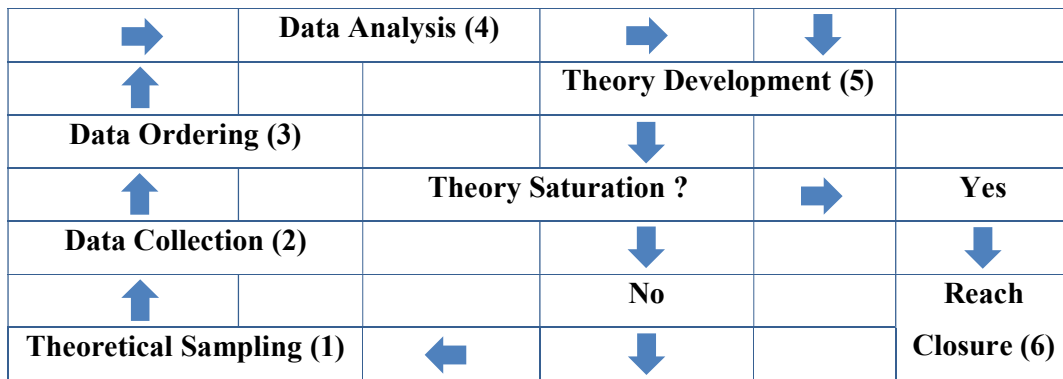
discussed in detail, the last two interviews can be considered as semi-structured interviews.

The fifth interview with Mrs. Ana Mehdi (name has been changed) was intended to complement the gathered knowledge about the Chinese way of negotiating. Mrs. Mehdi is Iranian and worked in Germany and China for several years. Since she always worked in the purchasing department and had to negotiate frequently, she was able to contribute the missing pieces to finish the comparison of Germany and China.

Diana Almeida was the last person to be interviewed. She is Brazilian and works for RBSG, negotiating regularly, using her fluent German. With the conduction of the last interview, also the comparison between Germany and Brazil could be finalized. The last two discussions were held in person in English.

Figure 5 on the following page shows the scheme of the chosen methodology, the grounded theory model. As you can see, there have been two iteration loops of the process of the grounded theory due to the fact that the interviews have been conducted in two parts. First, there was the theoretical sampling in the course of the literature review. Then, data collection, data ordering, data analysis and theory development have been done for the first time. These events represent the conduction of the first four interviews and the respective analytical steps with the help of a software, which started in 2016 and finished around end of May 2017 when also the internship ended. There was no complete theory saturation and some doubts needed to be clarified in order to get conclusive results and improved guidelines. The second iteration loop started with a literature comparison of the achieved knowledge and findings, followed by the same steps of the first loop. During that phase, the two last interviews were conducted at the end of July 2017. A theory saturation was achieved and clear results could be presented, which are the basis for the actual guidelines for negotiating successfully with foreign cultures, paired with many direct recommendations of the interviewees.

**Figure 5 – Grounded Theory**



Source: Pandit, 1996, “The Creation of Theory: A Recent Application of the Grounded Theory Method”, p. 8

### 3.4.Data Analysis

The analysis has been conducted with the help of RQDA, a free software application for qualitative data analysis. The transcripts of the interviews have been inserted in the software and codes were created in order to label each passage of the respective interview depending on the content. First, from the literature review, there were 20 code categories used to analyze the interviews, displayed in table 5 on the following page.

Each of the code categories comprises two codes: one for the comparison Germany & Brazil and one for the comparison Germany & China, resulting in 40 different codes. Thus, the code category *7\_formality*, for instance, contains the codes:

- 7.1\_formality\_CN
- 7.2\_formality\_BR

Only with the creation of one code for each comparison was it possible to clearly divide the answers and to avoid mistakes by mixing up cultural aspects. The code categories represent the themes of the open questions (preparation & mindset) and the potential difficulties displayed in table 3 on page 21.



**Table 5 – Code categories**

Code category	Description / Central question	Authors
1_availability part./time zones/geogr.distance	Is the availability of participants in IBN a bigger difficulty in IBNs? Are different time zones and the geographical distance a problem in this regard?	Usunier; Salacuse, Ghemawat
2_sensitivity to time	How do the participants sense time and how does it influence the IBN?	Usunier, Faure & Rubin
3_scheduling approach	Are there different scheduling approaches depending on the culture?	Usunier
4_mindset rel. to process info	Do the participants process information more ideologic or pragmatic?	Usunier
5_administrative distance	Is there an administrative distance between the involved nations?	Ghemawat
6_uncertainty avoidance	Are the degrees of uncertainty avoidance similar or rather different?	Hofstede
7_formality	How do the participants behave during and after the IBNs?	Usunier, Sebenius
8_way of cmnctn (F2F, mail, ...)	What do the involved parties prefer in terms of the way of communication?	Usunier
9_native language (+interpreter)	Is there a language barrier that needs to be surpassed?	Salacuse
10_comnctn style & low/high context	How do the negotiator communicate? Is there a low/high context com.?	Usunier; Hall, Merkin
11_power distance	Do the different degrees of power distance affect the IBNs?	Hofstede
12_nego tactics	Are there specific negotiations tactics common in the respective cultures?	Usunier
13_emotionalism	Is the degree of emotionalism on the professional level similar or different?	Salacuse
14_individualism vs collectivism	Are the cultures characterized by individualism or collectivism?	Hofstede
15_relationship	What role does the relationship play during the IBNs?	Usunier
16_long- vs short-term orientation	How short- or long-term do the participants usually plan the business?	Hofstede
17_country image & animosity	Do the country images influence the IBNs? Is there animosity present?	Nebenzahl, Russel & Russel
I_preparation	To what degree do the participants normally prepare themselves?	-
II_mindset etc.	What kind of mindset somebody needs in IBNs and its challenges?	-
xx_other aspects	Are there other aspects that have not been considered so far?	-

The usage of the software was undoubtedly an important step to analyze the interviews in a good and structured manner. Many times, the interviewed persons referred to several aspects in one answer, especially in the first open questions. This fact made a manual analysis very difficult and inconvenient. In figure 6 are two coded passages to enable a better understanding of the method of the software.

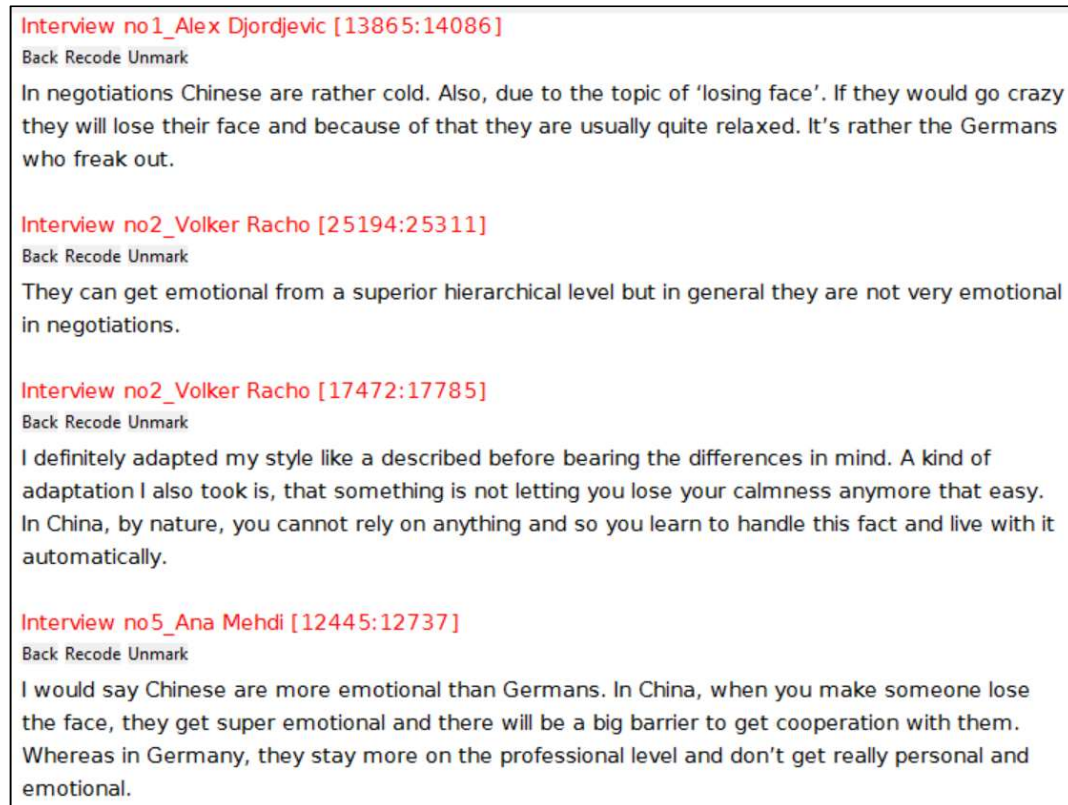
**Figure 6 – Coded passage from the interviews number no 1 & 3**

<p>Q2.3: Did you adapt your own style of negotiating in any way? If yes, how?</p> <p>&lt;2.2_sensitivity to time_BR&gt; I definitely adapted it. You need a lot more time and patience here. First, it's because the Brazilians don't deal with things that fast and analyze them that fast, like I mentioned before. And therefore, you need more patience and one or two iteration loops more until all aspects are on the table and solved accordingly. &lt;10.2_cmncn style &amp; low/high context_BR&gt; There, I really had to adapt myself since I am German and by nature, I want to solve the things as quick as possible and I will send various reminders and this is something that they don't like at all here. Then, you need to find again the connection and the balance to be consequent but at the same time not too pushy. Otherwise, if you 'annoy' them too much, it can happen that the door closes and you need to wait double the time as if you tried it with a little bit more patience and instinctive feeling. There you have to readjust.</p>
<ul style="list-style-type: none"> <li>Different native languages:</li> </ul> <p>&lt;9.1_native language (+interpreter)_CN&gt; Like always, it depends a lot on the specific case. Suppliers that do business with Bosch for a long time have relatively smaller problems with English because they get people who are skilled or have engineers that are skilled accordingly. But there are also suppliers, some of them which have a long relationship with Bosch, who have an additional person involved supporting the communication in English. This can lead to problems, because when you have somebody involved that can speak English well, he or she has often technical deficits. And then it is a lot of work to translate the things. With new suppliers, it is even more difficult. Often, it's the case that the CEO of them, if he or she was in America for a while for example, speaks a good English. But a lot of time, the CEO is a Chinese who has money to invest and on his side some good engineers who probably can speak English, but in this scenario the CEO often can't speak English. &lt;2.1_sensitivity to time_CN&gt; So very often, they have people to translate and this is a lot of work and very time consuming. For Germans, such a process is usually running way too slow. &lt;10.1_cmncn style &amp; low/high context_CN&gt; If you directly and explicitly request to the Chinese side to organize a person who can speak English very well, there is the danger that they kind of 'lose their face'. &lt;1.1_preparation_CN&gt; Because of all that, it is important to support them with the agenda points in advance and to discuss them with one of the Chinese side, who understands it by language, but also content wise. Then you only have to discuss the biggest points with the management, who sometimes cannot speak a good English.</p>

There also have been cases where one sentence referred to two or more aspects at the same time. The coding made it possible to include the sentence in all three code summaries. A code summary collects all coded texts from the six interviews and gives

them out on a single page. In figure 7 is the summary of the code number 13.1 displayed, which is concerning the emotionalism in China compared to Germany.

**Figure 7 – code summary of emotionalism in China**



This code summary was a rather smaller one, which made it possible to include as an example.

### 3.5. Summary

In this chapter, the methodological aspects of the work have been described. The usage of the grounded theory model as a qualitative research method is adequate for the purpose of the work and the research question. The qualitative data is obtained through the conduction of six interviews with experienced international employees of Bosch and is analyzed with the help of RQDA, a free software application for qualitative data analysis. Like explained, the software enables an efficient and convenient way of analyzing the extensive and valuable information provided by the interviewees.

## **4. Results - analysis of cultural differences and their influence on IBNs**

This chapter refers to the analytical part of the work and starts with important considerations that mainly concern the limitations of the study. After that, the results based on the analysis of the interviews will be presented in a visual way. In the last subchapter, the business cultures of Germany, China and Brazil are compared in detail.

### **4.1. Important considerations**

Before starting with the actual analysis, there are certain aspects that need to be considered to put the findings of the work in the correct context.

- When dealing with characteristics of a culture, it is always a matter of tendencies, like already mentioned in the literature review. Obviously, not all persons of a certain culture think and act in the same way. Someone's personality and the specific situation have similar importance in this context. Furthermore, the cultural aspects are always relative. In this regard Hofstede states that "...culture can be only used meaningfully by comparison."<sup>5</sup> This promotes the approach of this work to directly compare the three considered countries.
- There are not only cultural differences from country to country but indeed from area to area. Especially in big countries like China and Brazil, certain characteristics of the inhabitants can differ in a remarkable way. Volker Racho, who lived long enough in China to know various corners of the country, stated that indeed there are differences depending on the area of China.
- A cultural adaptation should always happen from both sides of the negotiation table and the degree of the respective adaptation levels depend on the situation. For instance, a German that receives a visit from a Chinese company for IBNs needs to adapt less than a German who works in China and has regular negotiations on-site. In this work, it is assumed that a German employee, who works for a German company, faces IBNs with Chinese or Brazilians. In the course of the negotiations he or she has to visit the foreign companies and/or receive them in Germany.

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<sup>5</sup> <https://geert-hofstede.com/national-culture.html>

## 4.2. Basic outcome of internship analysis

In chapter 3, the methodology has been explained in detail, including the analysis of the interviews with the help of a software. The results of a basic data analysis of the interviews are shown in table 6 on the next page. The table lists all code categories, which represent the potential difficulties of IBNs, detected during the literature review. On the right of each code category, the respective word counts of the answers are given. A word count states how extensive the interviewees answered to a particular code category in both the open questions and the questions of the questionnaire, that referred specifically to the potential difficulties. These word counts are divided by the countries China and Brazil. Of course, an interviewee tends to answer to important aspects more extensively than to less important ones, leading to corresponding word counts.

The other half of the table illustrates how often the interviewees stated a code category in the open questions during their interviews. It is divided by countries and easily seeable due to the respective flags of China and Brazil. The interview of Mr. Pasquini (interview n° 4) is not included in the table since his answers mainly concerned the different preparation approaches that are needed to negotiate and work successfully with Germans, Chinese and Brazilians.

For instance, the fifth code category *administrative distance* shows a word count of 316 words regarding China and 24 words regarding Brazil. Moreover, the category has been answered once in the open questions of interview n° 2, which was conducted with Volker Racho about the Chinese work culture. By taking a look at this data, it can be concluded that the administrative distance plays a considerable role in IBNs between German and Chinese companies. On the other hand, it is apparently ignorable when negotiating with Brazilian counterparts. It is quickly noticeable, that there are some code categories that have a high word count paired with mentions in the open questions. These code categories are undoubtedly the most crucial ones when dealing with Chinese or Brazilian counterparts, from a German perspective.

After all, it is important to consider that the actual message and the meaning of the answers are still more important than the result of the analysis of the interview data shown in table 6.

**Table 6 – Appearances of code categories**





























Code category	Word count			Referred in open questions during interview						
			Total	N°1	N°2	N°3	N°5	N°6		
1_avail. part./time zones/geogr.dist.	165	166	331							
2_sensitivity to time	338	442	780						<b>1</b>	<b>1</b>
3_scheduling approach	67	176	243							
4_mindset rel. to process info	146	42	188							
5_administrative distance	316	24	340						<b>1</b>	
6_uncertainty avoidance	288	178	466							
7_formality	1347	274	1621						<b>3</b>	
8_way of cmnctn (F2F, mail, ...)	521	256	777							
9_native language (+interpreter)	492	435	927							
10_comnctn style & low/high context	1555	654	2209						<b>3</b>	<b>2</b>
11_power distance	1477	562	2039						<b>2</b>	<b>1</b>
12_nego tactics	1052	402	1454						<b>2</b>	<b>1</b>
13_emotionalism	178	284	462							<b>1</b>
14_individualism vs collectivism	451	253	704							
15_relationship	1278	458	1736						<b>3</b>	<b>2</b>
16_long- vs short-term orientation	259	207	466						<b>1</b>	
17_country image & animosity	341	270	611							

Table 6 gives a good first overview of the results of the interview analysis.

Based on this first results, it has been decided to exclude the code categories *scheduling approach & mindset related to processing information* from the scope of the study. After conducting the interviews, it was evident, that these points are from minor relevance concerning IBNs. The scheduling approach, for instance, is highly related to the respective business and less to business cultures of specific countries. The mindset of processing information should always be a mixture of the idealistic approach and the pragmatic one and no differences between the business cultures of Germany, China and Brazil have been detected. Therefore, a further examination of the aspects is unnecessary. These two aspects that will not be considered in the upcoming sections, also have the smallest total word counts and none of them has been mentioned by an interviewee while answering the open questions.

In order to reduce the aspects further and to make the analysis more over-seeable, the points *Communication style & High/Low Context Communication* have been merged, given that the interviewees usually joined these points by themselves while responding. These adjustments lead to a final number of 15 potential difficulties in IBNs, which will be examined in the following sections.

The interviewees also talked about some specific topics that have not been included in the scope and that can be seen as emerging aspects. Since these aspects were always highly related to existing ones, it has been decided to categorize them accordingly. Such a categorization can be tricky in some cases since an aspect can relate to multiple other topics. For instance, unformal events like business dinners after negotiations play a crucial role in the Chinese business culture and thus are also important to consider in IBNs. This specific aspect has been included in the code category n°7 *formality*. Since these unformal events are also contributing immensely to the relationship of the participants, it also could have been categorized in the aspect of *relationship*.

After all, such a definite differentiation of the potential difficulties is not important and the borders of them remain blur. It is important to remember that also the interviewees answered in a broad way to the various aspects, having their own personal consideration on the topic. In the analysis, the cultural aspects are contemplated in a broad way and are less tied to their specific definitions from the literature review.

### 4.3. Cultural comparison of Germany, China and Brazil

The cultural comparison of the business cultures of Germany, China and Brazil are based on both the finding from the literature review and the results of the conducted interviews. As described in the methodology, the most important potential difficulties in IBNs, that are displayed in table 3 on page 21 have been used as a guideline for the interviews.

The first aspect (1)“**Availability of participants & geographical distance with different time zones**” is a general difficulty in IBNs and there is no difference between the countries since it is a circumstance and not a cultural characteristic. Nevertheless, this point can get more or less important depending on other cultural aspects. These connections will be explained in the respective guides.

#### **(2) Sensitivity to time:**

Faure and Rubin (1993) already pointed out that different time conceptions between the participating organizations can complicate IBNs in terms of the general time frame and existing deadlines. There seems to be a particular difference between countries from the West and East, like described in the literature review.

Germany has the typical Western view on time, where it is rather seen as a limited supply. Therefore, Germans avoid to waste time by all means while doing business and plan the negotiations and meetings accordingly. Moreover, there is a well-known importance regarding punctuality both in business and private life.

The Chinese tend to be punctual at their business meetings due to their high professionalism, whereas they have a quite different mindset in terms of the cultural sensitivity to time. Volker Racho, who lived many years in China, could not describe the idea better than stating the Chinese proverb “Grass doesn’t grow faster if you pull it”. So, the complete negotiation process from the first contact until the final agreement will take a lot more time in most cases than it would take if two German companies negotiate with each other. One of the main reasons for that is surely the creation of a good and stable relationship, which is more important in the Chinese world.

Alexander Djordjevic confirmed this difference regarding the sensitivity to time between Chinese and Germans when negotiating: “Regarding the complete negotiation process, you generally need more rounds until you reach an agreement. In our team, we always had a conversation with them beforehand, then sent them some information like the



volume of the business and discussed that as well. After that, there was usually a meeting in Germany which often has been prepared via telephone. And there normally have been two more meetings via telephone until we reached an agreement. That means you have around six or seven meetings after all until it's closed. With Germans, you probably need only two meetings. Consequently, you need to arrange more time.”

According to their reputation, Brazilians have a more relaxed attitude towards punctuality. Sebastian Fielitz assured that such delays are less common on the professional level. Furthermore, Brazilians are normally aware that this issue is important in other cultures and will always try to be on time when meeting with foreigners in business. Regarding the sensitivity to time during the negotiation process, there has not been found a clear characteristic and it is assumed that it is more similar to the Western view than the Asian one.

Diana Almeida pointed out that the sensitivity to time highly depends on the personality of the counterpart, or *profile*, like she calls it: “I already have faced both situations in both cultures. I think it can be a cultural thing but also regarding the profile of the counterpart. The different sensitivity to time is important, because if you are not prepared and you don't know the profile, you are going to be caught in the situation. If I don't know that the supplier, historically needs eight hours to make a negotiation and I do not prepare myself and not rest enough, I'm going to arrive to negotiation with my head already full and not prepared for such a long thing. Or if I have a profile that I am social and I need hours to do it, and then I get a supplier who is practical and goes straight to the points, then I'm going to have difficulties on reaching the result in time. If persons are not prepared for that, it can become a problem.”

### **(3) Administrative distance:**

The administrative distance mainly concerns a potential government involvement in the actual business of the countries and Salacuse (2010) claimed that the respective governments are indeed important players in this sense. Volker Racho gave a real example that nicely illustrates how big the impact of the political situation between two countries can be on trading activities, stating that the turnover of German companies in China dropped by around 70% when German president Angela Merkel invited the Dalai Lama. The Chinese government did not like this at all and got involved accordingly. Another phenomenon is the support of certain companies by Asian governments. The

author discovered this fact during an internship in Japan and both Volker Racho and Alexander Djordjevic described a similar situation in China. In such a case, a Chinese supplier of the automobile industry, for instance, can offer cheaper prices since he saves money in other areas. From that perspective, it can even be an advantage in negotiations when you do business with a Chinese organization that gets supported. Besides that, there can always be different laws and regulations between countries. Whereas the Chinese tend to be fearless against possible law suits and a little less accurate and reliable in terms of contractual agreements.

In Brazil, there are numerous restrictions and the bureaucracy is principally high according to Sebastian Fielitz. He personally never experienced an active and noticeable government involvement so far.

Since the participants of IBNs have normally neither the chance to influence nor avoid a potential government involvement, this aspect will not be mentioned in the chapter of recommendation. In the common case of government support in China, it can indeed be an advantage instead of a difficulty if you are negotiating with such a company.

#### **(4) Uncertainty Avoidance:**

The degree of uncertainty avoidance is a quite arguable and vague aspect of a culture, since it can be interpreted in various ways. Uncertainty avoidance is part of Hofstede's cultural dimensions theory and he defines it as "...the extent to which the members of a culture feel threatened by ambiguous or unknown situations." (1991, p. 167). Hofstede created country scores (0-100) for all of his dimensions based on his studies. In this dimension, Germany and Brazil have a rather high score with 65 and 76 respectively, whereas China has 30 points and therefore a very low degree of uncertainty avoidance. The score of China got mainly affirmed through the interviews. Ana Mehdi claimed that Chinese live with uncertainty every day and because of that they have their own style of tackling things. Volker Racho explained that the Chinese have learned to prove themselves in chaos throughout the history and with that, they have a completely different way of dealing with uncertainty. Germany, on the other hand, has a well-defined set of rules since centuries and people respect it and comply with it, which makes them rather risk-averse.

Brazilians tend to avoid uncertainties as well and at the same time they face them every day. Due to the uncertain economic and political situation in Brazil, they avoid to assume compromises since they cannot foresee what will happen in the future. On the other hand, Sebastian Fielitz stated that the degree of planning in order to avoid uncertainty is lower in Brazil than in Germany due to the more practical approach of Brazilians: "...Brazilians rather start a project and look where it gets stuck instead of planning everything well beforehand. That also because the level of professionalism is much lower than in Germany. In many aspects, they just don't have the experience to conduct detailed analysis in advance, and then the approach is more 'trial and error' instead of a detailed, prior planning."

#### **(5) Degree of formality:**

After conducting the interviews, there was a distinct difference discovered between all three countries in diverse aspects in terms of formality. In Germany, people usually behave very formal and professional in every-day business life. They focus on work and live by the German proverb "Arbeit ist Arbeit und Schnaps ist Schnaps" (engl.: 'work is work and booze is booze'), which indicates that you should not mix work and leisure. After-work activities between work colleagues can exist, of course, but this depends highly on the specific team and the respective atmosphere. Real friendships between work colleagues are rather uncommon and Germans tend to separate work and private life strictly.

The atmosphere in China is a little bit less formal than in Germany, but still very professional and conservative. By contrast to Germany, after-work activities like dinners or visits in a karaoke bar play a much more important role in China, in particular when two companies meet. If you visit a company in China for negotiations for one week, it would not be unusual if they planned a dinner with drinks for every single evening plus one or more sightseeing tours for the beginning of the week. Such informal events are a big and crucial part of the Chinese business culture and are not only good for building a good relationship, but also reducing a bit the pressure and tension that gets build up during the negotiations. Ana Mehdi, who lived and worked in China, participated in lots of such dinners. She claims that many negotiations even conclude in such evenings while drinking instead of during the actual negotiation sessions. This shows how relevant the informal activities are and that Chinese, unlike Germans, indeed mix business with

private life quite a lot. Volker Racho explained during the interview, that Chinese sometimes extract information from you during informal conversations that can affect the way they view you on the professional level. For example, when you talk with a Chinese about private life and he hears that you are married and you have kids, he might conclude that you can both undertake a commitment and assume responsibility.

In Brazil, unformal events after work between companies have a different character than in China and are more similar to the German ones. The degree of formality during daily work, on the other hand, is a lot lower than in China and Germany, starting with the fact that Brazilians always greet each other by the first name. Even when you meet an executive from another firm for the very first time, you directly start using his or her first name. In Germany, this is rather uncommon and people usually use the surnames. In more international firms like Bosch, there are many departments where they also use the first name, but nevertheless you normally never do that with an external German counterpart. But the low degree of formality in Brazil is not only characterized by the way of greeting. There are other aspects like the importance of togetherness and friendship with work colleagues, for instance. Mr. Fielitz described it as follows: “Like I once said, there is this ‘amigo culture’. For instance, it’s not uncommon to greet a female client with a peak on the cheek in Brazil. In Germany, I think something like that would almost be a reason to stop the business relationship. Here this is normal and people rather find it strange if you don’t do it. Also with the colleagues it’s more informal. Friendship is a more important topic here than in Germany.”

You also normally do not share a lot of private affairs with your colleagues in Germany, you even can do so with certain external partners in Brazil. Diana Almeida, who is Brazilian, stated that it is not easy to find someone in Brazil, who really behaves very professional and formal.

#### **(6) Way of communication:**

The way of communication refers to the preferred means of communications by the different cultures such as face-to-face meetings, telephones calls or communication via e-mail. Here, the analysis of the interviews concluded in a common understanding among the interviewees. In China, face-to-face meetings are definitely more common and favored. Even when you are an European company and geographically far away, they try to visit you as often as possible. Like in many other cases, this is mainly due to the given

importance of the relationship. Also within the country, Chinese travel a lot more to meet the other counterpart in person. Ana Mehdi, who gained work experience as a buyer in Germany and China said, that the Chinese colleagues from the purchasing department visit two suppliers per week on average. In Germany, the buyers travel a lot less and only go to their German suppliers for big topics like annual negotiations or severe quality issues. Mr. Racho explained that the preferable mix of means of communication also depends on the English skills of the Chinese counterparts: “In Germany, you like to have everything in writing and ask people to send e-mails, whereas the Chinese prefer to talk in person. First, they try to meet in person, if that isn’t possible you talk via telephone, and only if that isn’t working as well, you write an e-mail. But here it is important to consider that this depends a lot on the language skills. If the Chinese doesn’t talk a good English, it is always better to communicate via e-mail because he has the possibility to check words and time to make a response.”

Brazil and China are quite close regarding this aspect of business culture. They also prefer face-to-face meetings. If that is not possible they favor telephone calls and only e-mails as the last option. Sebastian Fielitz linked this aspect to the more informal atmosphere in Brazil: “A personal meeting is definitely preferred. In principle, also rather communication by telephone than by e-mail. That is also because they are more open and personal. They don’t like this very formal stuff and an e-mail is more formal than a telephone call. So, communication is always preferred to be personal.” Although the communication via e-mail is the less preferred way, it is still the most used one since you cannot always meet in person or reach everyone by phone due to tight schedules of the executives. For Germans, the personal contact is less important and they prefer the easiest and most efficient way to communicate, and that is in most cases the electronic way. Furthermore, many Germans want to have everything written and e-mails are the only way to achieve that.

#### **(7) Different native languages:**

The three languages of the considered countries are completely unrelated and this language barrier obviously represents a potential difficulty in IBNs. The common business language between foreign countries is English, of course, and although this language is becoming more and more mastered worldwide, there are still many countries where the English skills of the population are quite limited, including China and Brazil.

Alexander Djordjevic, Volker Racho and Ana Mehdi all shared personal stories during the interviews concerning experienced difficulties in discussing in English with Chinese counterparts. The missing similarities between the Chinese and English language make it hard for them to achieve a good level of speaking and only the younger generations in China, who get familiar with the language earlier, tend to master it better and better.

The usage of an interpreter is quite common but in most cases not the perfect solution for all evolving language problems. Firstly, the interpreter usually has not the technical background and knowledge to understand the content of negotiation and the translation is not only prone to mistranslations but it is extremely time-consuming. Furthermore, Volker Racho indicated that a good interpreter not only has to translate the hard facts and spoken words, but he has to be able to translate culturally. Since there is also a big difference in the communication styles of the cultures, the interpreter needs to adapt his translation accordingly in order to keep the discussion on a good way.

The language barrier in Brazil is similar big and when you do not speak Portuguese, you will most probably not make a great carrier in that country. Sebastian Fielitz, who works and lives in Brazil is well aware of this fact and speaks Portuguese fluently. In the interview, he described a common discussion between Germans and Brazilians as follows: “When we have a meeting between Germany and Brazil, after some minutes the Brazilians usually discuss in Portuguese among themselves or they talk with me in Portuguese. The German project leaders often get a bit annoyed by that because they are in a meeting where they don’t understand a lot. Then, I need to find a balance to translate the Portuguese and keep the Germans in a good mood and at the same time, steer the topics in Portuguese in a way that you get a result.” Therefore, it is an immense advantage to talk the native language. If not, it is necessary to plan with more time.

#### **(8) Communication style incl. High/Low Context Communication:**

The aspects communication style and high/low context communication have been merged after conducting the interviews because of their strong correlation and also due to the broad definition used in the questionnaire. In this sense, the degree of context communication can be seen as a specific part of the communication style. Like explained in the literature review, a low context communication is characterized by directness and explicitness, whereas high context communication is indirect and implicit.

In terms of this aspect, Germany and China differ strongly and there are only a few pairs of countries in the world that have a bigger disparity between their styles of communication. Germans prefer a very direct communication and usually say the things like they are. It is appreciated to openly say what you are thinking and quickly express your opinion. Even direct criticism is common and normally does not get 'smoothen' to protect the relationship. In China, like in many other Asian countries, the relationship and harmony between people is extremely important and gets maintained accordingly. Therefore, the communication style is very soft and indirect. In both private and professional life, the topic of 'losing/saving face' is always present and undoubtedly one of the most distinctive and important cultural values in China.

All of the interviewed persons confirmed the relevance of that aspect and referred to various examples which they experienced while negotiating and working with Chinese counterparts. Direct criticism in front of other persons, for instance, will lead to the loss of face of the criticized person. The 'face' is representing one's reputation and social status and will consequently always be defended by that person. When you point out a mistake of somebody while sitting together with several persons, a Chinese will not admit his fault and try to save his face even when he knows he is wrong, described Ana Mehdi. Volker Racho could explain the reasons for this facet, thanks to his extensive knowledge of the Chinese culture: "An interesting aspect is that we have a guilt culture in Germany, whereas in China there is more a shame culture. In a guilt culture, it is well respected when you admit your own guilt. In China, you don't want to lose your face and so you block some things when you get accused." Further facets of the Chinese style of communication are that they like to talk about important issues over and over again and, on the other hand, tend to avoid topics that they do not want to talk about.

The Brazilian style of communication is also quite different from the German one. Unlike Germans, they use less direct criticism and like to wrap negative content in nice and positive expressions. Mrs. Almeida described why Brazilians tend to be less direct than Germans as follows: "In Brazil I had some difficulties, because for the Brazilians, when you are too direct, they understand you as rude. So, then it lacks the empathy to analyze the other and realize that you are not rude and it's just the way you are. It's not being impolite, it's just being direct. You can also not give direct criticism in Brazil. If you give a criticism, we usually use the expression that you need 'many finger', meaning that you

have to touch with all the fingers very carefully. If we do a scale and direct is up I think it's Germany, then Brazil in the middle down and then China.”

The topic of ‘losing face’ is also present in many South American countries, whereas in Brazil it is less important. Nevertheless, you will be seen as rude if you communicate too direct and explicit. In order to maintain the relationship and the pleasant atmosphere, Brazilians like to include informal communication also on the professional level and it is absolutely normal to ask your internal or external counterpart if he is ok (‘Tudo bem?’) before talking about the work-related matters. Like Chinese, people sometimes let topics “fall under the table” if they do not want to discuss them in Brazil.

#### **(9) Degree of Power Distances:**

The power distance in cultures is another dimension of Hofstede’s cultural dimensions theory and the countries scored the following points based on his studies: Germany 35, China 80, Brazil 69. Following Hofstede’s logic, a culture with a high score is characterized by a strong hierarchy between the people, whereas people are more independent in countries with a low score. An ideal analysis of this aspect in respect of the actual decision-making power of people was not possible since it highly depends on the organizational culture and within Bosch there is a well-defined, medium to high power distance that does not differ significantly depending on the locations.

Nevertheless, there have been found distinct differences between Germany and China. Alex Djordjevic and Volker Racho explained that this topic is especially important in terms of specific procedures and rules when having a formal or informal meeting. In both negotiations and evening dinners, there is usually a seating plan that is followed by the Chinese depending on their respective positions in the company. The top management of a Chinese company always sits down first and the farer away the seat of somebody is, the lower is his position in the company. Volker Racho claimed that this facet is even visible when Chinese come to Germany in a group to participate in negotiations; “when they arrive at the airport, you need to know exactly who is on which hierarchical level because they get picked up with different cars and even have different room types in the hotel depending on the level. If not, a boss will wonder why he went to university and worked so hard when he gets treated like his assistant. The topic hierarchy is extremely important.”. Moreover, Mr. Racho shared a story where he and his business partner wanted to negotiate with a company in China for the first time. At that time, Mr. Racho



was not living in China and flew from Germany to the Chinese counterparts. When they met the Chinese on the first day and exchanged business cards, the meeting was already over after some minutes since the Chinese simply left the negotiation room. In the view of the Chinese, Volker Racho and his colleague have been too low in hierarchy to even start the negotiations. The top management of the Chinese company was present and they kind of felt offended, getting the feeling that the business is unimportant for the German company because they did not send the top management as well. The second interesting experience of Mr. Racho was the topic of the leader of a negotiation. In China, it is common that an executive of the company leads the negotiations. If this person is not present due to a delay or an unforeseeable event and you start the negotiations anyway, it can be that these discussions are meaningless. Once the leader of the negotiations is there, he will most likely insist on a new start of the discussion and all the so far negotiated agreements are invalid.

Considering these characteristics, Hofstede's country scores of Germany and China are confirmed, whereas the power distance of Germany and Brazil seem to be less indifferent according to the interviewed persons. Jair Pasquini, who lived and worked in all analyzed countries, claimed that China for sure has the highest power distance but Germany and Brazil are on a similar level in his opinion. Like mentioned earlier, a final conclusion of this aspect is not possible due to the organizational culture of Bosch. Diana Almeida affirmed that by stating that there are no big differences between Germany and Brazil regarding the power distance due to internal processes of Bosch. Sebastian Fielitz, who negotiates frequently with other companies in Brazil, discovered quite a difference in the Brazilian style of negotiating when a higher hierarchical level is participating: "...what I always found interesting is that when you talk alone to the buyer or supervisor of the other firm, the way of talking is very different as when the director is present. So, it can happen that when you demand certain things like an adjusted price and the counterpart understands the argumentation and promises to check it, but in the next meeting when the director of the counterpart is participating as well, they directly make clear that your demands cannot be accepted. Just because they need to show in front of the boss that they defend the company's strategy, although they said at the beginning they would understand you and your demands. These contrasts are quite interesting to observe."

Nevertheless, he explained that it is recommended to try to solve the problems first on the low hierarchical level and only include the higher levels when there is a need for escalation in Brazil. But this advice is probably valid in the same way in Germany.

#### **(10) Negotiation tactics:**

In this work, the aspect of negotiation tactics refers to the basic usage of tactics and does not enter deeply into the details of the used tactics. The topic of honesty is also covered by this aspect.

In Germany, negotiation tactics are existing and get used from both sales men and buyers. Of course, this depends highly on the persons and their personality. One common tactic or strategy is playing “good cop, bad cop”, used by either two colleagues or an employee and his boss. All in all, the usage of tactics is quite limited and people prefer an honest and argumentative approach without trying to trick the other. Smart buyers and sales men always try to proceed tactically, using an adequate strategy based on the market situation and their own position, but at the end of the day they stay fact-based and straightforward. Within Bosch there is a philosophy of treating your suppliers and customers as business partners that both want to achieve a win-win situation and a preferable long-term relationship.

In China, the usage of specific negotiation tactics is more common and all the interviewed persons faced some of them sooner or later. Sometimes they use a kind of delaying tactic where they avoid unfavorable topics in a smart way. According to Alex Djordjevic, Chinese are normally well prepared in negotiations and will steer the discussion accordingly, focusing on the more favorable topics and, like explained, avoid other topics. Ana Mehdi described that the Chinese are very flexible and good in changing the direction in negotiations. The usage of tactics would somehow be part of their culture. Volker Racho, an expert regarding the Chinese behavior, confirmed this and furthermore explained that in China ruse (or slyness) is well respected and seen as something positive. When you successfully use tactics and outsmart your counterpart, you consequently must be intelligent and competent. In Germany, slyness has a rather negative mark. Mr. Racho even had a nice example to illustrate a Chinese tactic, that he experienced once when he flew to China with a German colleague. They planned to stay one week in China and the Chinese counterparts started the week by making lots of sightseeing tours and informal events, without discussing the business topics. It is kind of normal that you start a week

like that to get to know each other and build a relationship. But in this case, the getting to know each other lasted almost the complete week and only on the last day in the morning they started to talk about the contractual content. The Chinese were well aware of the fact that Volker Racho and his colleague had a return flight to Germany in the afternoon and could not go back without any results. By using this approach, the Chinese put them in a difficult situation and hoped that the Germans will accept compromises more likely under the high pressure.

There is also a difference between Germany and Brazil in terms of negotiation tactics. The before mentioned delaying tactic is also quite common in Brazil and you constantly need to follow up your topics to be sure important issues do not fall under the table. Diana Almeida stated that she never could really trust her Brazilian suppliers: “what is most outstanding for me, after one and a half years here, is how fair German suppliers are. The Brazilians, and this is not a culture only for the suppliers, but it’s a culture of the society, they always want to fool you somehow in order to take advantage from you. So, it is a big matter of trust. You cannot trust on what your supplier is saying in Brazil.”

#### **(11) Degree of emotionalism:**

Germans have a reputation of being very centered and kind of cold. This is basically true and the degree of emotionalism is quite low. Of course, it is rather likely and acceptable that a high hierarchical level communicates emotionally with a lower one, than the other way around. In China, they usually do not get very emotional while doing business and negotiating, too. But this can quickly change when they lose their face and trying to defend themselves. So, in terms of the degree of emotionalism, Germany and China are rather similar.

Brazil definitely distinguishes itself in this characteristic. Brazilians are more famous to be emotional and sometimes high-tempered, like most of Latin Americans. You can also feel that in business life. According to Sebastian Fielitz, negotiations happen more on an emotional level in Brazil. It can be that the Brazilian counterparts complain and moan about their situation and personal things like their performance-based salary. Diana Almeida said, that some might even scream and offend the other person personally in a difficult situation. Losing the temper in such a way is rather uncommon in Germany and people have a stronger self-control and always try to stay on the factual level instead of entering the emotional one. The tendency of Brazilians being rather a culture of high

emotionalism has already been confirmed by Salacuse in the literature review. The interviews confirmed that assertion.

#### **(12) Individualism vs Collectivism:**

This cultural dimension of Hofstede deals, like the name suggests, with the integration of individuals into groups. In Germany, there is a high degree of individualism and the ties between people are rather loose. The score of Germany based on Hofstede's studies is 67 on the scale of individualism. In contrast, China scored 20 points, which indicates that it is one of the countries with a very strong collectivism. This opinion has been confirmed by the interviewees. Ana Mehdi, claimed that Chinese always want to be seen as a group and avoid standing out so much. As a consequence, it can happen that Chinese do not openly disagree with a topic since the rest of the group is accepting it. Mrs. Mehdi explained it in the following way: "It can be that when you are sitting with five people of the Chinese company and you are talking about a subject and three of them are agreeing, can be that the fourth person, which doesn't agree, does not raise a voice. Most probably, that person lets it slip. And that doesn't mean that he really agrees. They don't want to stand out from the group and be the one that stops everything or says 'no'." Volker Racho also claimed that "...it is a lot about the group and the team" He described that many times, there are different competences distributed within the team. That means that one person of the team might have the competence of taking decision, whereas another team member has the competence of giving information. In Germany, it is more common that an employee holds several of these competences together, than it is in China.

According to Hofstede's country score, Brazil lies between Germany and China with 38 points. Diana Almeida shares this evaluation, stating that there is a tendency to be a little bit more collectivism in Brazil than in Germany. She explains that you normally never close negotiations in the first round in Brazil, since the people always need to take the status back to the headquarter and decide collective, even when the CEO has been directly involved in the negotiations. On the other hand, Sebastian Fielitz claimed that there is sometimes strong individualism noticeable and that there is a high self-reference, especially in private life. That could be one of the reasons why the country has such severe problems with corruption, having many people who think of nothing but themselves.

### **(13) Different importance related to the relationship:**

The topic of relationship has already been mentioned various times in other aspects, especially related to the Chinese culture. There, it is a crucial point of conducting successful negotiations. In Germany, the relationships to other people on a professional level are looser and less important. Volker Racho described, that this is due to the fact that in Germany, loyalty is often tied to the company and when you are part of a strong organization like Daimler or Bosch, you do not need to worry about the future that much since the company will take care of you as long as you do a good job. In China, this is completely different and loyalty is more tied to persons. In China, you cannot rely on anything and if your company fires you from one day to the next, you are depending on your social and professional network. If you have built strong relationships, it is more likely that you quickly find a new job thanks to your connections. This difference between Germany and China related to loyalty, can also be seen in the high turnover rate of staff in China and the low one in Germany. Due to this importance of the relationship, the informal events have such a high relevance in China. There are a lot of other things to maintain and strengthen a relationship like giving presents from time to time. Alexander Djordjevic describes the benefits of a good relationship in IBNs in the following way: “The Germans refer a lot to hard facts whereas for the Chinese, and Asians in general, the relationship is more important than the hard facts. When you get along well with them and they have the opinion that you are trustfully, after you had dinner with them or talked about your children, for instance, it’s easier. First, they will do business with you and second, in terms of the negotiation and topics like prices, it is more likely that they concede something to you, as if you just tell them straight that you want a reduction of five percent.”

The relationship between business partners plays also a quite important role in Brazil. In Germany, where people are so fact-based during work, personal contact and private topics play a minor role on the professional level. Brazilians on the other hand, mix private life and professional life. Sebastian Fielitz gave an insight how some business meetings might start in Brazil: “...it is very important that you have a personal relationship to your business partners. That means that it can happen that you have a meeting with a client and you don’t talk about business, at all, the first 20 minutes. You first talk about things like your future travel plans, your last holidays, your last weekend, and so on, and you

need to participate in that.” Such a start of a meeting between people of two different firms are very uncommon in Germany.

#### **(14) Long-term vs Short-term orientation:**

This is the fourth of Hofstede’s six cultural dimensions, that got considered in the analysis. His country score states that Germany and China have a strong long-term orientation with 83 and 87 points respectively. Brazil scored 44 points and therefore can be seen as a country with a rather short-term orientation. Germans have a reputation to think long-term and plan their strategic actions accordingly. The high score of China in long-term orientation only could be partly confirmed by the interviewees. They all agreed that a business relationship in China is long-term orientated and this is also a reason why the Chinese put so much effort in maintaining and developing the business partnerships. Apart from that, there is a lot of short-term thinking on the professional level in China. The quint-essence of the interviews regarding this aspect is that Chinese want to make money today and what happens tomorrow is less important for them. This is highly related to the super dynamic and fast developing market in China. This gap between Hofstede’s conclusion and the opinion of the interviewed persons who have extensive experience with the Chinese culture, can be justified by the different perspectives and definitions of long-term orientation. Hofstede’s dimension is defined quite broad and is covering aspects like the societies’ traditions, whereas the interviewees obviously referred more to the business side of Chinese thinking.

Brazilians are seen as people who *live in the here and now* and are less concerned with the future. Sebastian Fielitz could recognize this especially on the private level. In companies, there are still departments like the controlling who ensure that the company somehow follows a strategic approach and does not make unfavorable short-term deals that, after all, do not pay off in the future. Nevertheless, the rather short-term orientation is also present in business life. Diana Almeida explained the reason for the kind of thinking of her fellow-countrymen. In Brazil, the companies are not able to plan that far in the future and they avoid assuming commitments for a long time if it requires a lot of responsibilities from their side due to the unstable market and political situation. The solid market in Europe enables a long-term orientation.

#### **(15) Country image & animosity**

The topic animosity can be ignored since there is no negative attitude towards each other between Germany, China and Brazil. This has been confirmed by all interviewed persons. There is certainly a kind of animosity between China and Japan, for instance, but this has no effect on other relationships.

The image of Germany is very positive both in China and Brazil. Business-wise, Germany stands for good quality, reliability and a stable market. The reputation of China is also mainly positive. Some people still have the outdated image of China as an excessive mass producer with bad quality. But this rather ignorant opinion is getting less. Like Diana Almeida stated properly in the interview: “If they still would provide so bad quality like people are saying, they wouldn’t be the greatest potential of the last fifteen years. These guys really know how to do business.” The country image of Brazil is unfortunately not entirely positive, but also somehow chaotic due to the difficult political situation the country is facing. The country images described in this chapter are mainly referring to the impressions on the business level and are less connected to the reputation of the people and their culture.

#### **4.4. Summary**

There are big differences between the business cultures of Germany, China and Brazil and they all influence IBNs in some way. The feedback received from the interviews was mainly consistent and the opinions of the interviewed persons match in the major points. Of course, due to different environments and experiences, everybody always holds a unique perspective on certain cultural aspects but the coherent answers made an conclusive analysis possible.

The most crucial difference between Germany and China is certainly the importance of the relationship. In China, it is such an important aspect that it also influences many of the other points directly or indirectly. The informal events in China, that normally occur in the context of dinners after the negotiations, are mainly held for building or strengthening the relationship between each other. Other aspects like the sensitivity to time and the preferred way of communication are also linked to the value of the relationship. Another distinct characteristic where Chinese differ essentially from Germans is the communication style. Since people in China have one of the highest

context communications, it is very important for Germans to adjust their way of speaking and reduce the typical direct style of communication, which is marked by low context. The analysis conducted in this work indicates that Brazilians mainly differ from Germans in the same aspects than Chinese. This can imply that these points are always major obstacles which occur in IBNs, even when there are other cultures involved. Although the aspects of relationship and the way of communication are also different in the comparison between Germany and Brazil, they distinguish themselves in a totally different way than in the comparison between Germany and China. As a consequence, other conclusions and recommendations emerge. The importance of relationship in Brazil is higher than in Germany and there is generally a friendlier atmosphere even between employees from different companies. This also leads to a corresponding style of communication, which is more indirect in Brazil compared to Germany. Other important differences to consider from a German perspective, are the higher degrees of power distance and emotionalism in Brazil.



## **5. Conclusion**

The last chapter concludes the study and first describes the theoretical implications. After that, the practical implications are presented in the form of two guides to successfully negotiate with Chinese and Brazilian counterparts, from a German perspective.

Like described in the beginning of the work, the existing theory mainly refers to general problems of IBNs and the corresponding cultural challenges. Unlike those studies, this work gives specific advice how to handle the cultural differences and other potential problems occurring in IBNs. To be able to provide meaningful and concrete guidance, there is a focus on the business cultures of Germany, China and Brazil. A general guidance that indicates how to behave in IBNs without giving practical examples while referring to certain cultures, would be vague and less helpful, since business cultures can differ tremendously in many aspects and the negotiator has to prepare and adapt accordingly depending on the unique characteristics of the culture of the counterparts.

The theoretical contributions of various authors such as Hofstede, Usunier, Salacuse and Ghemawat, examined in the literature review, were an ideal base for the exploratory study of this work. Since only a few of the theoretical contributions specifically concern IBNs and the main part is referring to the general cultural differences on a professional level, the implications had to be put in context accordingly. The qualitative approach of this work with its six comprehensive interviews with experienced Bosch employees that negotiate on a regular basis, was an optimal tool to put the theoretical implications in the context of IBNs and to create practical guidance. The research design also enabled an assessment regarding the actual impact of a cultural aspect, whereas it is important to keep in mind that the importance of the aspects differ from culture to culture.

The extensive practical implications that have been concluded through the analysis of the interviews and the constant review of the literature, are presented in the next sections.

The practical implications are compromised by two parts. The first one gives advice for negotiating with Chinese counterparts and the second one refers to negotiations with Brazilians. Like mentioned before, it is important to consider that these recommendations are giving from a German perspective.

- **Guide to negotiate with Chinese counterparts**

The most important aspect to consider when negotiating with Chinese is undoubtedly the value of the relationship. It is hard to image that somebody would have success in China while totally ignoring this characteristic of the Chinese culture. Only by building a good relationship, the Chinese counterpart will gain trust and a partnership can arise. Therefore, it is recommended that the highest value on this topic is placed. It is the basis for nearly everything and influences almost all other mentioned aspects.

The best thing to build, maintain and develop the relationship is by participating and promote informal events like sightseeing tours and dinners. The informal conversations can have a high impact on the image the Chinese are having from the counterpart and consequently it will also directly influence the negotiations. Moreover, it can happen that actual business matters can be discussed during the events and the negotiator needs to prepare himself for that. There are also some general Do and Don't you need to consider in these situations:

- 1) Never rejecting a gift! Even if the value of the gift might exceed the allowed level due to compliance regulations, the receiver probably should accept it anyway. Later, he or she still can send it back referring to internal rules, explaining the situation and thanking them again. The Chinese will learn from that and only give gifts that have a smaller value of money in the future. If the present gets rejected on the actual event, the Chinese might lose his face and it is always important to avoid that by all means.
- 2) Giving small gifts to them as well from time to time. This will contribute to the relationship. A good occasion to do this is the Chinese New Year, for instance.
- 3) Not rejecting food or drinks if possible. Such a rejection can also harm the relationship. As a part of preparation, it is a good idea to inform the Chinese beforehand if there are certain allergies or a participating person generally never drinks alcohol.
- 4) Trying to participate in all events. In a scenario where the negotiator is in China for one week and there is scheduled a dinner for every evening, he or she still can cancel one of them if it is done in a soft way. According to Volker Racho, the best excuse is always the own family. Someone can explain the Chinese that he will

talk with his wife or children one evening via telephone in the hotel. The Chinese will understand and accept the cancelation.

Building a good relationship is quite time-consuming but it will pay off. Once there is enough trust and the participants of the negotiations know each other well, the things will speed up automatically. Furthermore, the relationships are usually constructed to last for a long time.

The second most important aspect is the adaptation of communication. Like explained earlier, the communication styles of Germans and Chinese are very different and thus a certain change in the own way of communication is indispensable. Here a good relationship makes the things easier, too. The better someone knows the Chinese counterparts, the better he will be able to deal with the Chinese high context communication. He will recognize certain patterns and understand them better. Of course, most of the Chinese will also adapt themselves when negotiating with a foreign culture and the communication might be a little bit more explicit anyway.

In a situation where a definite feedback is needed but a clear answer by the Chinese counterpart is not coming, it can have various reasons. It is not necessarily only linked to the indirect communication. Maybe the Chinese does not have the adequate competence to answer or it is connected to his group's opinion and the strong collectivism. Anyhow, if it is a crucial topic and immediate feedback is needed, it is advisable to 'stay' German and be more direct. After all, it is also important that someone does not forget his own culture and a certain adaptation has to be done by both sides.

Also, due to this facet, face-to-face meetings are preferable. First, the relationship can be maintained by personal contact and second, only when the negotiator really sees the Chinese counterpart and his facial expressions, he can eventually read between the lines. Depending on the English skills of the Chinese, an adjustment of the way of communication has to be done. When meeting them physically, it is a good idea to send them the most important information beforehand. By doing so, the Chinese already have a clear picture of the topics and, if necessary, can check unknown English terms etc. During the actual meeting, it is also favorable to have most of discussion points available in written. According to Jair Pasquini, it is important to keep the presentation rather simple with a focus on the most crucial points, not going too much into detail since most Chinese will get lost. If there is a need for a translator, it is in the best case somebody

from the participating departments, who has a sufficient technical knowledge of the business matters that are being discussed. If this is not possible, it should be a skilled translator who is able to translate ‘culturally’, too.

It has been highlighted how distinctive the hierarchical levels in China are and the negotiator therefore should inform himself accordingly regarding the positions of the counterparts. It is also preferable to inform them who exactly will participate in the negotiations from the other side. In any case, it is a good idea to let the respective management participate as much as possible to give the Chinese side recognition. In difficult situations, where immediate action is needed, advantage of the high hierarchy in China should be taken and an escalation of the topic via the own boss can be initiated. When the management is involved, the probability is higher that critical issues get solved quickly.

The best advice to deal with the potential usage of tactics from the Chinese side, is again the development of a good relationship. A strong partnership means commitment and there will be less tactics applied. Nevertheless, a proper preparation and anticipation of a possible confrontation with tactics is necessary, especially during the first meetings when negotiating with a Chinese company.

A German company who meets a Chinese organization for the first time, should take advantage of the good country image of Germany. The stable European market can be promoted and it ensures them to cooperate in a qualitative way.

Last but not least, the different sensitivity to time of Chinese needs to be considered. Building a relationship, dealing with the geographical distance and overcoming a potential language barrier takes time. If the prospective business is profitable enough, the time-consuming process can easily be accepted and the patience maintained. It is important to remember that Chinese also want to make money quickly as soon as a solid relationship is established. Nevertheless, more time has to be planned also due to other reasons such as a potential language barrier.

- **Guide to negotiate with Brazilian counterparts**

The focus to negotiate successfully with Brazilians should be on the relationship and the informal communication. In the interview, Sebastian Fielitz talked about an ‘amigo-culture’ referring to the friendly and informal interaction between business partners.

Diana Almeida stated that this culture of friendship in business is often very superficial, but that fact does not make it less important: “There were suppliers in Brazil, when you got out for a drink with the supplier one day before, your negotiation had a super result. If you were not and went direct to the negotiation without Smalltalk and so on, there was another kind of result. So there, this relationship prior to the negotiation, building this relationship is important. The suppliers want to feel cared by someone. It makes total difference.”

In order to develop such a positive relationship, an adjustment of the communication is needed. Brazilians talk a lot more about private manners during work than Germans. Moreover, a more indirect and soft communication is preferable. If someone needs a certain information and he already reminded the other person several times, it is a good idea to start a conversation under a pretext. After talking informally about things that are not work-related and asking the other person how he is, the request for the needed information can be repeated. By demanding the action in such a softer way, the probability to get a positive feedback is a lot higher and the relationship is protected, according to Sebastian Fielitz.

Since the personal contact is so important to maintain a good relationship, face-to-face meetings are desired. If the negotiator cannot meet the other in person, a phone call is still better and more personal and informal than an e-mail. On the other hand, a good balance needs to be found when agreeing on certain terms and conditions. Many times, you cannot fully rely on the spoken words of your Brazilian counterparts. Therefore, someone needs to assure to have the relevant agreements in written, too. Due to that trust issue, a good preparation is necessary. If the Brazilian counterpart discovers a lack of knowledge from the other side, he might try to take advantage of it.

Not only the lower degree of formality and professionalism needs to be considered, but also the higher emotionalism of Brazilians. Especially in a stressful situation, the counterpart might lose his temper more than it would be appropriate and common in Germany. The negotiator needs to be mentally prepared for that and keep the inner control. From time to time, it can be helpful to also show some emotions and not stay the ice-cold German the whole time.

Rather smaller issues should be solved in the lower hierarchical levels. If the management gets included too quickly, it will harm the pleasant partnership. If there is a crucial topic,

it can and should be escalated with the own boss at a certain point. Due to the high degree of power distance in Brazil, fast actions for a solution of the situation can be expected. When negotiating with Brazilians, you need to show them short-term profits. They will not be that interested in the long-term prospects that much. Because of the unstable market in Brazil, they cannot plan that far-seeing and need to keep a certain flexibility. Being flexible and adaptive in difficult and chaotic situations is one of the most impressive talents of Brazilians. The negotiator should not blend himself if Brazilians complain about their difficult market situation. It has been like that for many decades. After all, it is important to be patient during the complete negotiation process. The degree of preparation and planning of Brazilians is usually smaller than in the case of Germans. This is not only because of less professionalism but also due to the fact that they rather prefer the practical way of starting a project and see where it goes. Potential problems get solved when they occur. There is always a “Jeitinho”.

This work intends to describe how IBNs can be successful, considering the various challenges that occur when two companies participate that come from countries with distinct cultures. Through the literature review, several concepts and studies have been found that are dealing with cultural differences in the context of IBNs and it was possible to derive the most crucial aspects that need to be considered in such intercultural settings. Since the available literature mainly deals with this topic in a broad way and less immerses in specific cases with certain countries involved, it was a logical step to focus on the scope of three countries: Germany, China and Brazil.

There are several reasons why this choice fits perfect in the context of this work and the associated internship, like explained before. By conducting and analyzing six interviews with experienced negotiators of Bosch, it was not only possible to present the biggest differences of the respective business cultures, but also to conclude in recommendations on how to behave in IBNs with Chinese and Brazilian counterparts, from a German perspective. The qualitative analysis of the real-life experiences stated by the interviewees largely confirmed the obtained idea of the literature. There have been only few emerging aspects that are rather directly linked to the investigated cultures. The conclusions of this work are especially relevant for SGBR, bearing in mind that its headquarter remains in Germany, but the mother company will be Chinese soon. The fact

that the basis of the comparison and guidance is Germany and not Brazil, does not make the study less helpful for them. It is easy to understand the most crucial points that need to be considered in IBNs regardless of the present perspective. Indeed, the work can help a negotiator in any given cultural setting, since it compares three very distinct business cultures that influence the respective ways of negotiating accordingly.

Having a global mindset paired with a certain cultural intelligence is the first step to successfully negotiate in IBNs. After that, the main differences between oneself and the counterpart should be understood and a deductive adaptation takes place almost automatically in many cases.

Besides of the contributions of the study, there are also some limitations. Like mentioned once before, it is impossible to cover all cultural aspects that might occur in IBNs when companies from foreign countries meet. Furthermore, the qualitative data obtained via the interviews is unexceptional from employees of the automotive sector of Bosch. Anyway, this fact does not downgrade the relevance of the work eminently, since IBNs in the automobile industry are comparable to the majority of negotiations held on a professional level nowadays.

The diversity of cultural encounters in business life should never discourage somebody, but instead promote the participation in the fast-increasing globalization of the world.

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## **Annex – transcripts of interviews**

### **Interview no 1:**

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Interviewee: Mr. Alexander Djordjevic

Nationality: German

Job description and duration: Commercial buyer for magnets with regular contact to Chinese suppliers for 2.5 years

Kind of negotiations: Commercial negotiations including technical discussions

Date and place: 16<sup>th</sup> of May 2017, via Skype Business

Comment: Conversation recorded and translated from German to English afterwards by the interviewer

### **Q1 & Q2 about the general aspects**

**Q1.1: How did you prepare your negotiations with Chinese companies and how important do you value such a preparation? Did the preparation differ compared with a negotiation with a local counterpart?**

*The preparation for negotiations is the same to a high degree since you have the best position to negotiate as a commercial buyer when all technical issues are clarified in the case of a new business, meaning that you are only talking about commercial topics. Therefore, you need a good data base like number of units, ahead-of-schedule work, etc. So, I would say the preparation is basically the same. What is different in the case of Chinese is that they need more the social aspect. That means that you talk to them in advance and you sent them the topics beforehand, explaining your intentions for the agenda points. Maybe you also call them and do a bit small talk before you focus on the real topics. In terms of preparation, this means more expenditure of time for a personal introduction. You don't necessarily need to meet them in person but it is better to call them than only sending an e-mail, for example.*

*In the case of Germans, you can simply send them the topics with an agenda, telling them on which points you want to focus like current problems or prices and they are sufficiently informed. They don't need the social aspect that much.*

**Q1.2: What characteristics/capabilities/mindset somebody should have to be able to successfully negotiate with foreign cultures?**

*Due to the cultural differences, you can always choose different ways, it's a bit ambivalent. You can either decide not to consider the cultural differences at all and make it your way, that's also a statement and leads to a reaction. Or if you go the Bosch way in the sense of a desired win-win situation and you adapt yourself to your counterpart than, of course, you take care of those aspects. You need to handle it openly, because you must see how they react and what they do. If you don't do that and you go the direct German way, it's always difficult for Asians. They have that topic of 'losing one's face', meaning if you pillory a person publicly, for example the key account in front of his/her boss or the other way around, the negotiation will get difficult, so to speak. A good idea is to have a dinner with them the night before and maybe also to drink some beers with them. For them, this is always a sign of respect and acknowledgment, building up friendship. Then the next day will be a lot easier. Regarding those cultures you shouldn't refuse such things. Including topics like handing over presents. When they give a present you shouldn't reject it. In the case of an expensive one you have to check internally how to handle it and tell them not give such things in the future, but you can not simply reject a present. They normally understand that and start only giving cookies and tea, which don't have a high value, but they need this. They would never come empty-handed.*

*To respond more to the question and to summarize, you must be open, taking on the cultural difference and keep an eye on it. Otherwise you run through the negotiation and you are probably too direct and German in that situation.*

**Q2.1: What major differences do you see between the Chinese way of negotiating/doing business and the German one and how did you handle them?**

*The Germans refer a lot to hard facts whereas for the Chinese, and Asians in general, the relationship is more important than the hard facts. When you get along well with them and they have the opinion that you are trustfully, after you had dinner with them or talked about your children, for instance, it's easier. First, they will do business with you and second, in terms of the negotiation and topics like prices, it is more likely that they concede something to you, as if you just tell them straight that you want a reduction of five percent. With Germans, you probably can do it the straight way and, if applicable, mention their competitors, telling them that you leave the business if they don't reduce*

*the price. In the case of Chinese, you have to communicate that more carefully, even when the statement is the same at the end of the day.*

**Q2.2: What are the most important aspects to consider in order to negotiate successfully with Chinese companies? Are there specific obstacles/challenges to bear in mind?**

*To sum up, it's important to negotiate more softly and less hard/direct, paying attention that they never lose their face and building up a good relationship. What is often difficult as well, but this is rather a basic communication problem which you will notice in the negotiations, is that they avoid topics in a smart way when they don't want to talk about it by changing the topic, for instant. Instead of saying directly that they don't want and do something, they say they need to check it again. But if you ask them again one week later about the topic, it can be that they bring up further excuses. It's kind of a delaying tactic, avoiding topics because they maybe don't want to formulate it directly.*

**Q2.3: Did you adapt your own style of negotiating in any way? If yes, how?**

*Answered in the previous questions*

**Q3 related to the matrix: 'The phases of IBNs and their respective challenges'**

**Q3.1: Which of these difficulties did you encounter?**

**Q3.2: Which ones represent the biggest challenges to negotiate successfully?**

**Q3.3: How did you handle them? → Lessons learned / recommendations**

- **Availability of participants & different time zones and big geographical distance:**

*A problem can be that, if you don't have the management of them on board, there is often not happening a lot. I have the feeling that the German key accounts usually have more competency. Most of the time, when you enter the room of the negotiation, there are more Chinese people than people from us. What also can happen, although this more present with Japanese and Koreans, is that when the management of you is not participating, they are not willing to take a decision.*

*Of course, they are far away and it's a bit annoying to reach them. But usually it works well and it's not a big problem.*

- **Different sensitivity to time:**

*They are quite accurate and usually don't come too late to the meetings. Regarding the complete negotiation process, you generally need more rounds until you reach an agreement. In our team, we always had a conversation with them beforehand, then sent them some information like the volume of the business and discussed that as well. After that, there was usually a meeting in Germany which often has been prepared via telephone. And there normally have been two more meetings via telephone until we reached an agreement. That means you have around six or seven meetings after all until it's closed. With Germans, you probably need only two meetings. Consequently, you need to arrange more time.*

- **Different scheduling approach:**

*It is always good if close a subtopic before you start another one. If you mix points and you are handling fifteen topics at the same time, you will never finish. This can be a delaying tactic sometimes with leads to a loss of time because you don't get results. But this is a general issue during negotiations and less connect to the German or Chinese culture.*

- **Different mindset related to processing information:**

*Basically, both are important. We do some things based on principles and rules etc., ideological. And there are also detailed points that must be discussed especially, pragmatic. After all, it is hard to separate these points.*

- **Administrative distance:**

*Regarding government involvement of the Chinese suppliers of our specific area of material, some of them are getting supported from the Chinese government. They receive free premises, for instance. Sometimes you even get to know the involved persons from the government in person, just to get to know each other. This is quite common in China. This surely can be an advantage for the suppliers compared to their competitors because they don't have a depreciation for the premises, for example, and consequently can offer cheaper prices. And the government does not interfere in the negotiations. In terms of laws, there isn't a big difference between Germany and China. Whereas the Chinese tend to accept everything without reviewing it carefully. And if something goes*

*wrong your power is limited when you would try to sue them or something like that. Probably there would never happen something. Germans are different in that point.*

- **Different degrees of Uncertainty Avoidance:**

*If I would compare countries on a scale, I would say that the Japanese have the highest need for security, after that the Germans and then the Chinese. First of all, the Chinese want to have a good business today and if they survive that tomorrow is not that important.*

- **Degree of formality:**

*This question is hard to answer because the key accounts of the Chinese suppliers are often German, too. Or they have kind of intermediary. If I would be forced to answer that question, I would say that the Germans are a bit more formal than the Chinese. When the Chinese management is participating in the negotiations, the degree of formality is pretty much the same.*

- **Way of communication:**

*Without a doubt, the Chinese prefer face-to-face meetings and come over to Germany as much as possible, even if you don't really want it due to the effort.*

- **Different native languages:**

*Like always, it depends a lot on the specific case. Suppliers that do business with Bosch for a long time have relatively smaller problems with English because they get people who are skilled or have engineers that are skilled accordingly. But there are also suppliers, some of them which have a long relationship with Bosch, who have an additional person involved supporting the communication in English. This can lead to problems, because when you have somebody involved that can speak English well, he or she has often technical deficits. And then it is a lot of work to translate the things. With new suppliers, it is even more difficult. Often, it's the case that the CEO of them, if he or she was in America for a while for example, speaks a good English. But a lot of time, the CEO is a Chinese who has money to invest and on his side some good engineers who probably can speak English, but in this scenario the CEO often can't speak English. So very often, they have people to translate and this is a lot of work and very time consuming. For Germans, such a process is usually running way too slow. If you directly and*



*explicitly request to the Chinese side to organize a person who can speak English very well, there is the danger that they kind of 'lose their face'. Because of all that, it is important to support them with the agenda points in advance and to discuss them with one of the Chinese side, who understands it by language, but also content wise. Then you only have to discuss the biggest points with the management, who sometimes cannot speak a good English.*

- **Communication style & High vs Low Context Communication:**

*There is clearly a very direct communication in Germany, whereas in China you sometimes need to read between the lines. It obviously can be a problem, when Chinese avoid a clear answer to a topic, for example. Like I once said at the beginning, when it is an important topic for you, you need to stay German and be direct. You don't have to read everything in their eyes, they also can adapt to us from time to time. Of course, it can happen that you shock them a bit with that, or that they react in an unusual way, but normally they are professional enough and work relatively long with German companies. If you have a totally new supplier, this can be very critical. With 'old' suppliers, with whom you already negotiated multiple times, you can tell them more the things like they are and maybe add a joke at the end to alleviate the situation a bit. It also depends on who has the current pain, you or the supplier? And if you have it, you need to raise the topic accordingly and take a risk with a more explicit communication.*

- **Different degree of Power Distance**

*Like mentioned before, meetings can get quite tricky when the Chinese management is not participating because sometimes there isn't happening anything. In terms of the hierarchies, they are rather distinctive in China. If you have a dinner with them, the top managers sit down first and they always sit together. Then the seats get less and less important, which means the further away you sit from the top management, the less important you are. I would say that in Japan, the Power Distance is even bigger. In negotiations, there is a clear seating plan depending on the hierarchy and the communication flows according to the chain, meaning that for instance, you talk to the Chinese key account, then he talks to his boss, then the key account's boss talks to his boss, and so on. The problem is that the key account is your contact person and if you talk directly to his boss, the key account will lose his face. Here again, you need to ponder.*

*If you really have a critical topic and a bottle neck where every hour counts, you rather go the direct way and talk to the persons who take the final decisions.*

- **Distinctive negotiation tactics:**

*It always depends a bit on your competitive situation. If you have the stronger bargaining power, they are not able to make use of many of their tactics. But in principle, I believe they have a lot of verbal tactics. For instance, that they try to avoid topics. Normally they are well prepared for the negotiations and know exactly where they are good and bad. They would steer a talk accordingly and rather focus on the points where they can win.*

- **Degree of emotionalism:**

*In negotiations Chinese are rather cold. Also, due to the topic of 'losing face'. If they would go crazy they will lose their face and because of that they are usually quite relaxed. It's rather the Germans who freak out.*

- **Individualism vs Collectivism:**

*Chinese rather think collectively than individually. In private life, this is very important, whereas in business this is less relevant. Here, the topic of Power Distance is more important. They don't really decide all together, there is only one who decides. But they do discuss in big rounds.*

- **Importance related to the relationship:**

*Like we already discussed before, the creation of a good relationship a lot more important for Chinese than for Germans. And because of this, you should place sufficient value on this topic, plan several informal meetings and get to know each other well.*

- **Long-term vs Short-term relationship:**

*Especially in terms of the relationship, they plan long-term orientated. When they do business with you, they want to do it long-term and will construct the relationship accordingly. But if they notice after some years, that it is a loss-making business, they will think more short-term and try to get out of the business. After all they want to make money here and now, that is very important for them. Regarding the relationship it's undoubtedly long-term.*

- **Country image and animosity:**

*Chinese like Germans a lot in general and have a positive attitude. But this nice affect is only present when getting to know each other for the first time. In negotiations, you will not have this effect anymore.*

## **Interview no 2:**

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Interviewee: Mr. Volker Racho (*name has been changed*)

Nationality: German

Job description and duration: Negotiations in Automobile and Constructive industry; 3.5 years in China and 5 years in Germany with regular trips to China. Also worked as an intercultural trainer.

Kind of negotiations: Various types including negotiations for new business

Date and place: 19<sup>th</sup> of May 2017, via Skype Business

Comment: Conversation recorded and translated from German to English afterwards by the interviewer. The interviewee chose to remain anonymous.

### **Q1 & Q2 about the general aspects**

**Q1.1: How did you prepare your negotiations with Chinese companies and how important do you value such a preparation? Did the preparation differ compared with a negotiation with a local counterpart?**

*The preparation differs significantly. At the beginning, I learned it the hard way because I didn't prepare in the Chinese way. You need to differentiate if you do negotiations in China or Germany. Let's assume we negotiate in China, then the Chinese counterpart prepares already quite a lot if you fly there. There is also a big difference if you are supplier or customer. Of course, as a customer you have more freedom and you fear less consequences as if you are a supplier. There is often a customer-supplier-hierarchy in Germany, whereas this hierarchy is stronger in China.*

*Speaking about hierarchy, in one of my first negotiations we failed quickly because of that. I flew with my colleague to China and we entered the room of the negotiation where we exchanged business cards with the Chinese. Then they looked at each other and left*

*the room. We didn't know what happened and they didn't come back. In the end, me and my colleague have been too low in hierarchy so that they kind of felt offended and got the feeling that the business must be so unimportant for the Germans when they send the lowest hierarchical level. So, the negotiations were finished before they even started in that case. What we learned through that was that you talk with the assistance on sight beforehand and ask who you will meet to assure that the people are on a similar level. This is a very important aspect. When the Chinese side knows who will come from us, then they can react accordingly.*

*The second aspect where I failed quickly is the topic of leader of the negotiations. In most negotiations with Chinese, there is a leader who moderates the negotiations. And this leader also decides how far they can go up or down with the price after all, or how the process of the negotiations will be, and so on. One time I went with my team to China to negotiations and we have been informed that the leader of the negotiations is not present yet, but we may start the negotiations anyway if we want. We were stupid enough to start the negotiations and the Chinese already got a feeling of our margins. Then, the leader of the negotiations arrived and explained that everything that has been discussed without him so far is invalid and that we start again now. And this was quite annoying, of course. But you learn from mistakes. In one of the subsequent negotiations with another customer, which was an initial negotiation, they also said that the leader of the negotiations isn't present yet. I kindly explained that we don't want to start the negotiations and argued that it isn't fair towards the leader of the negotiations to begin without him and we don't want him to 'lose his face' in any way. By chance, the leader of negotiations entered the room only ten minutes later, explaining that he could postpone another meeting. These are things that you need to consider.*

*There are further aspects I learned when I worked as an intercultural consultant and trainer. Such an intercultural consultation which is focused on things like different styles of communication, different styles of relationship management, different styles of building up trust, or which is dealing specifically with topics of purchasing, sales or quality, is helping a lot. An interesting aspect is that we have a guilt culture in Germany, whereas in China there is more a shame culture. In a guilt culture, it is well respected when you admit your own guilt. In China, you don't want to lose your face and so you block some things when you get accused. Therefore, it is very important in negotiations that you find*

*a so called 'third room'. There is a lot taking place on a private level. That means having a dinner, drinking a beer or going for a walk with them is a good idea because this external context is taking pressure or heat out of the situation. In Germany, when there are problems, it is often like the election of the pope; nobody leaves the room until a solution is found. This way wouldn't work in China at all. In China, you rather go to have dinner together outside to concentrate on the collective and the cooperation. Then you can raise more sensitive topics and when you notice it's going to come to a conflict, you concentrate more on the dinner again. Like that you can master the balance act.*

*In the end, there is another kind of preparation, too. It is very important that you talk about private topics. I always go there with picture from my wife, from travels and from my time in China. Because in China it is still in their heads that contracts don't have the same liability than in Germany. And if you cannot rely on the written documents, then you need to rely on the person. You get asked a lot if you are married or if you have children and this is not because somebody is blundering. They tend to get information between the lines. For example, if you are married it's a sign that you can undertake a commitment. Or when you have children, it shows that you can assume responsibility. And like that, there are many private questions asked and it is also expected that you ask these questions to be able to estimate how somebody acts in the business context. Whereas in Germany we would say that this is a waste of time. We have the proverb 'Arbeit ist Arbeit und Schnaps ist Schnaps' (engl.: 'work is work and booze is booze'), but in China it is so important that you get to know each other beforehand.*

*Another thing is that occasionally I got kind of mugged, particularly when I was a Buyer. In some cases, the delivered quality was not good enough and sometimes the Chinese side thinks they can do that with Germans and we probably wouldn't check the parts so detailed. And they are not scared if we try to go to the court and sue them. What I did intensively in the last years, which always takes around two or three months, is to get involved in the social network of my negotiation partners. In China, this is relatively easy because there it is similar to the United States, you always have one foot in the unemployment. Then, you need somebody who helps you and maybe has a job for you or who knows somebody who knows somebody. Therefore, you not only get to know the person with whom you are in touch with, but also other persons in his society. And these relationships need to be build up and intensified because when you are included*

*successfully in the circle of relationships of the potential business partner, he or she cannot cheat you anymore. The cheating would become public in his or her social environment and others would think they could get treated in the same way one day. The person would lose his face. This is a good strategy or tactic to 'bind somebody emotionally'. All these are preparations that I wouldn't do in Germany in such a way. But it is also important to know, that you cannot say 'Chinese work in this or that specific way'. It also depends if you are in the north, west, south or east of China. For example, the more south you go the harder are the negotiations. Especially around Kanto the negotiations are very tough. But in the north of China there is a lot more alcohol involved. Then, when you are in the North of China and there is a dinner with drinks, it is important to drink until the very end. You shouldn't stop in the middle. Luckily, the business dinner usually starts around half past six and at half past eight it's over. A thing, that destroyed the business once was when I had a boss who doesn't drink alcohol and didn't inform the Chinese side. When we went to the business dinner, they had organized the best rice spirit in terms of quality that exists. My boss didn't drink and this was difficult because by doing that he took the face of the Chinese side because they put a lot of effort and invested money. In this case, as a part of the preparation, you should call them and tell them if you don't drink alcohol, or you don't eat fish or pork, and so on. By doing so, the Chinese side can prepare accordingly and you don't take the face of somebody. These would be my preparation steps if you go to China as a German.*

*When it is the case that the Chinese come to Germany, it's another thing. The first important thing is to tell them that we have different closing times in the shops. This sounds strange, but a lot of them fly to Germany on a Saturday, to go shopping on Sunday. And then they get disappointed when they realize that a lot of shops are closed. The second thing is that you arrange 3-5 days for the negotiations and you include some sightseeing. When you go to have dinner the first day, you can go to a German restaurant. But instead of everybody orders his own dish, which is uncommon in China, you order some big plates and put it in the middle of the table and everybody takes his food. On the following days, since they usually don't like our food that much, you can go to a Chinese restaurant and call there beforehand to tell them that you have real Chinese guests, so the restaurant makes authentic dishes.*

*The following thing is, going back one step, when they arrive at the airport, you need to know exactly who is on which hierarchical level because they get picked up with different cars and even have different room types in the hotel depending on the level. If not, a boss will wonder why he went to university and worked so hard when he gets treated like his assistant. The topic hierarchy is extremely important.*

*In regard of negotiations, it often takes more time in China than in Germany in general. And in addition to that, a lot of times, they still consider the agreed contract as an ideal basis for renegotiations. For them it is more a contract proposal or a kind of letter of intent whereas for us it is already a closed agreement. Sometimes they do like to play with us a bit and with our impatience. It happened, for instance, that we went to China and wanted to start the negotiations right away. But they preferred to do a sightseeing program with us, which took several days. And in the morning of the last day, they started to talk with us about the contractual topics, knowing that we have our flight back to Germany in the afternoon. Of course, we have high pressure in such situations. This is the reason why some companies provide their salesmen with open return tickets, which enables them to extend their stay for some days in such a situation. But there was also the case that the Chinese side came to us to negotiate further and we did the same thing, too. We had four days of sightseeing and on the third day they started to get nervous. They cannot fly over to Germany for five days without getting results business-wise. When we were in China three weeks later and they picked us up, they already had the contract documents in the car with which we could start the negotiations directly. So, you can indeed play them at their own game. Also, here it is crucial that you build up a good relationship, because the stronger the relationship, the bigger is the commitment. A really elementary difference between Germany and China is, that in Germany loyalty is often tied to the company, but in China loyalty is more tied to persons. You can see that turnover of staff in Germany is much smaller, for example. Often, it's like 'one time Bosch, always Bosch' or 'one time Daimler, always Daimler', independently of the respective boss. When a boss quits his job in China, he often goes to another company requesting 50% more money than in his prior job and in exchange offers to bring his six-person team, saving the company a lot of cost related to employee development. Such a thing happens quite often, after Chinese New Year around 20% of the staff regularly doesn't return to the company. So, the closer you get to each other and the better you get*

*along with each other in the negotiations, the more transparent is the communication and the less likely you try to delude the other. Because of that, a business relationship is normally long-term which is different than in the United States. It takes a lot of time until a contract is signed, but everything that happens afterwards is going faster. And besides that, there also have been cases where the actual start of the business relationship didn't take a lot of time. When something is important for the government, for instance, then they put pressure accordingly. And via the hierarchy you can speed up or realign a lot of things. To conclude a bit, there is a strong tendency that the process of doing business takes a lot of time when there is a first contact and only after a while things gather speed. In terms of high-context/low-context communication, China is by nature a high-context culture, meaning that during negotiations there is a lot of information flowing between the lines. Things like the way of greeting or the seating arrangements depend highly on the hierarchy, for instance. On the other side, you can say that the closer the relationship is build up, the less context is involved. If you have a close relationship on the job, you can communicate quite direct to each other. When a high hierarchical level talks to a lower one the communication is more direct, too. In these cases, it is often a low-context communication.*

**Q1.2: What characteristics/capabilities/mindset somebody should have to be able to successfully negotiate with foreign cultures?**

*Somebody who is able to successfully negotiate with foreign culture is probably somebody who already traveled the world a bit, who reflects constantly and who can build upon things in common. Nothing builds up trust more quickly than finding similarities between each other. But on the other side, it is also important that you not only get yourself into the other culture, but you still hold on your own. Otherwise, if you always give in, you are not a good negotiation partner. Anyway, it is extremely important that you don't say Chinese are exactly like that and Germans are like that, but we are talking about tendencies.*

*At the end, there are three aspects that play a big role when we negotiate with foreign cultures. First, there is the aspect of culture, of course. Second is the respective situation you are in, because people can act differently depending on the situation. And third, there is the personality. So, not every German is extrovert and not every Chinese is introvert. You need to watch out that you not always blame the culture for everything.*



**Q2.1: What major differences do you see between the Chinese way of negotiating/doing business and the German one and how did you handle them?**

*Germans also use tactics in negotiations, but not as much as Chinese, like described before. Of course, you try to proceed tactically but in China a lot is coming up at the very end, meaning that they make demands when actually everything is already defined and the agreement is almost closed. Such things usually don't happen in Germany.*

*Another thing which is essentially different between Germans and Chinese is the insolence. In China, ruse (or slyness) is something positive, whereas in Germany, slyness is rather negative. This also effects how they extract information. I have an example from an everyday situation but they also do that in negotiations. Chinese know that we seldom talk about money or our salary and because of that they will not ask you what you earn. They rather lull you in a different conversation and ask you where you live. In the conversation about your and his home you talk about the city where you live, how long the way to work is and how many square meters the apartments have. We continue talking and I am happy that I had nice small talk with him but what I didn't realize first is what information I exposed and that he now knows how much I earn. He assumes that in the first five years Germans invest around 25% - 40% of the income in their homes. Then he checks with Google how much the rent for an apartment in the part of the city where I live is, and by doing so he can project my income very well. These are things we Germans often don't bear in mind.*

*Especially in negotiations, where you talk about various things and you get questions asked that appear to be completely out of context, then these questions usually do have a reason. We Germans need to bear in mind that every question has a certain background. A further difference is the agenda. The Germans always get nervous when there is no agenda and therefore we define our topics of discussion with a respective order. But it can happen that Chinese always focus on a certain topic. In China, redundancy is relevance. So, the more you repeat talking about an issue, the more important it is. The Germans don't see it like that. When something is important, it is important, regardless of redundancy. Therefore, Germans can get a bit annoyed when the same topics get discussed over and over again, but that is the Chinese way to show that something is important.*

**Q2.2: What are the most important aspects to consider in order to negotiate successfully with Chinese companies? Are there specific obstacles/challenges to bear in mind?**

*Answered in the previous questions*

**Q2.3: Did you adapt your own style of negotiating in any way? If yes, how?**

*I definitely adapted my style like a described before bearing the differences in mind. A kind of adaptation I also took is, that something is not letting you lose your calmness anymore that easy. In China, by nature, you cannot rely on anything and so you learn to handle this fact and live with it automatically.*

*Another very important aspect is that you shouldn't go to China because you have the feeling that everybody needs to be there. The business has to be worth it and if it doesn't pay off the first time while you are targeting a long-term relationship, you will not be able to change tack, according to my experience.*

**Q3 related to the matrix: 'The phases of IBNs and their respective challenges'**

**Q3.1: Which of these difficulties did you encounter?**

**Q3.2: Which ones represent the biggest challenges to negotiate successfully?**

**Q3.3: How did you handle them? → Lessons learned / recommendations**

- **Availability of participants & different time zones and big geographical distance:**

*Of course, it is always hard to get everybody on a table and the geographical distance makes it harder. I personally made a lot of things face to face, this is irreplaceable. Especially when you need to discuss it is good to see each other, but I also did other things that get appreciated culturally. For instance, I sent gifts many times, of course, always in accordance with the compliance. But it's good to send something nice for Chinese New Year or the national holiday, and they really like that.*

- **Different sensitivity to time:**

*In China, there is a saying that goes 'Grass doesn't grow faster if you pull it'. Therefore, they simply say that some things just need time.*

- **Different scheduling approach:**

*In terms of the scheduling, it's usually more holistic in China. You get picked up from the airport and from then you spend all the days together. That is also because we have another character in Germany, where we get encouraged for autonomy. In China, they think a bit different and have the impression that they need to entertain the visitor from Germany all the time. And very often German colleagues ask me how to escape out of that because they don't want to go out every evening after the business meetings. By nature, every person has a different priority setting and appreciation regarding this. In my opinion, you always need to participate the first evening, there is no escape. But what works very well when you want to refuse an evening activity is the subject 'family'. You can tell them, that you really would like to join but your wife or your mother calls you in the hotel and therefore you want to stay. Family is the standard excuse that you can use in every situation without losing your face.*

- **Different mindset related to processing information:**

*In general Chinese are very pragmatic and you can see that in all areas. They make the best out of things and even when there is not a good base, they accomplish something very big sometimes. Necessity is the mother of all innovation and when you have to compete against 1.3 billion other Chinese, you will become pragmatic and innovative accordingly.*

*Ideologism also plays a role because a lot, in particular the Chinese behavioral patterns in negotiations, is connected to the past. For example, the 36 strategies of Sun Tzu or principles of Confucianism or Daoism. Even in modern China, like in Shanghai, you will feel the influence of antiquity.*

- **Administrative distance:**

*You can see that government involvement in various things. For instance, when Mrs. Merkel invited the Dalai Lama, the turnover of German companies in China dropped by 70%, because the government decided that they don't want to do further business for now. The Chambers of Foreign Trade called the Office of the Federal Chancellor and said that Merkel needs to distance herself from that or they will not continue business. Most people are not aware of such consequences. So, the government is involved quite a lot, but if you are on the right side you indeed can benefit from it.*

- **Different degrees of Uncertainty Avoidance:**

*Germany is working quite well because there is a well-defined set of rules. And every time there is a set of rules and the people comply with it, they are risk-averse. This has a historical background from the 18<sup>th</sup> century. Therefore, in Germany we have the approach where we believe that the future will happen like we imagine if we take the time to plan it correctly. Whereas Chinese are people who, also due to the history, have learned to prove themselves in chaos. And with that you have a completely different dealing with uncertainty. In China, you have less sets of rules because networks of connections normally overrule sets of rules. That means, if there is no set of rules, you need a different security and you get that security via the connections because you know when you have a good relationship with somebody, the other person will keep his or her word. The typical German with his uncertainty aversion needs a contract, because it brings him security. The Chinese on the other hand is wondering why you need a contract and if you are not trusting him.*

- **Degree of formality:**

*In Germany, we are more formal in general. In China, there is formality especially at the beginning with a seating plan and the respect of the hierarchies. But there is a lot happening in the informal context such as during the dinners.*

- **Way of communication:**

*In Germany, you like to have everything in writing and ask people to send e-mails, whereas the Chinese prefer to talk in person. First, they try to meet in person, if that isn't possible you talk via telephone, and only if that isn't working as well, you write an e-mail. But here it is important to consider that this depends a lot on the language skills. If the Chinese doesn't talk a good English, it is always better to communicate via e-mail because he has the possibility to check words and time to make a response.*

- **Different native languages:**

*The language barrier is an interesting topic. If an interpreter is used, it is important that he not only translates by language but also culturally. That means when a German is putting somebody in his place insensitively, the translator has to try to smoothen his words and ensure that everybody keeps his or her face. Or when a Chinese is expressing*

*himself very indirect, the translator should be able to get the message across more explicitly. This plays a big role and this is also the reason why the translators in China have a lot of power.*

- **Communication style & High vs Low Context Communication:**

*It always depends on the hierarchy and how good you know each other, but by nature there is a high context communication which makes it quite difficult sometimes. The high context communication paired with unformal communication is very different compared to the German style of communication. If you talk to somebody frequently you will recognize certain patterns.*

- **Different degree of Power Distance**

*Like mentioned before, seniority and hierarchy play extremely important roles in terms of power distance, which makes it more complicated on the one hand, on the other hand things can happen very quickly, if a senior vice president or the managing director from China is participating. In Germany, it is often unfavorable that the high-level hierarchy is not actively participating. This is because the responsibility is delegated with the task in Germany, whereas in China the supervisor keeps the lead. Consequently, they actively participate more often from a high-level hierarchy in China, compared to Germans.*

- **Distinctive negotiation tactics:**

*Answered in the previous questions*

- **Degrees of emotionalism:**

*They can get emotional from a superior hierarchical level but in general they are not very emotional in negotiations.*

- **Individualism vs Collectivism:**

*In China, it's a lot about the group and the team. That is why they talk more about 'we' than 'I'. If they need more information, for instance, the Chinese part will not write 'I need...' but 'We need...'. You should also not write 'You didn't send xy' but rather 'We haven't received xy yet'. Both have the same message, but the last one is friendlier.*

*Moreover, in China, you have three different competences. The first is the information competence, meaning that you may obtain or forward information. The second is*

*discretionary competence for making decisions and the third is action competence for realizing the decisions. These three distinct competences are allocated to different persons. In Germany, many times, one person has the power of all three competences. Something that most Germans don't understand is that when you talk to your contact person in China on the telephone, then that person has only information competence in most cases. And when you need certain information, it can happen that the person doesn't have the information available or need to ask his supervisor if he may give it to you. Because of that Chinese often struggle in negotiations and avoid clear responses because the person who has the needed information is not present physically. At such a point, you need to call for a break of the negotiation where all participants go to their respective supervisors to discuss and you continue after that.*

*Germans like to put pressure on people if something is not going well, but the poor Chinese in that case, doesn't have the possibility to act differently because he doesn't have the competence. Because of that, I always ask at the beginning of negotiations to whom they report to, so I know exactly to whom I can escalate if necessary. I cannot escalate by myself to the superior level in China, but I need to talk to my German supervisor and he escalates to the Chinese supervisor.*

- **Importance related to the relationship:**

*Answered in the previous questions*

- **Long-term vs Short-term relationship:**

*Liked described before, Chinese do want to make money right away but in terms of the relationships they think very long-term.*

- **Country image and animosity:**

*The country image of Germany is very positive. The Chinese know we deliver in good quality at an agreed time to the agreed price. But for Karaoke they prefer Americans or Russians. We have a bit of the image of a person who is boring and never has fun, but what we do in terms of business, we do very well.*

### **Interview no 3:**

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Interviewee: Mr. Sebastian Fielitz

Nationality: German

Job description and duration: Salesman and responsible for various OEM; currently living in Brazil for almost a year and already lived a year in Brazil before due to his studies

Kind of negotiations: Commercial negotiations

Date and place: 25<sup>th</sup> of May 2017, via Skype Business

Comment: Conversation recorded and translated from German to English afterwards by the interviewer

#### **Q1 & Q2 about the general aspects**

**Q1.1: How did you prepare your negotiations with Brazilian companies and how important do you value such a preparation? Did the preparation differ compared with a negotiation with a local counterpart?**

*I don't prepare in a different way than in Germany, whereas the degree of detail that is requested is a different one. For instance, if you compare the buyers here in Brazil with the ones in Germany, the Germans always have been very well prepared. When you made claims they often referred to a cost analysis and analyzed your claims down to the last detail. And in comparison to this, I had a funny situation with a Brazilian buyer not long ago, where we had to escalate a topic up until the level of directors because we couldn't solve it. In the meeting, she had to explain to her director what it was all about but after all she didn't really understand what we wanted from her. That means, although the topic got escalated, she never got a good look at it and challenged the issue. Something like that would never happen to you in Germany. In this respect, my personal preparation is the same but I also think that I prepare very well because my supervisors here in Brazil on the upper levels are German as well and when we have our regular meetings or a topic with a client gets escalated, it's often the case that very detailed questions get asked. For my part, since I also stay German, I don't like to get asked questions where I need to respond that I don't know. Before I go in such meetings, I examine all the details to understand the numbers, to see how our argumentation was, to have possible solutions, and so on. And this is different with the Brazilians. They don't prepare that actively and*

*rather try to find a solution spontaneously in the meeting. You cannot generalize this in principle because there are exceptions. I have various clients and from time to time you meet people who don't have any clue or you meet people who devoted themselves more intensively with the topic.*

**Q1.2: What characteristics/capabilities/mindset somebody should have to be able to successfully negotiate with foreign cultures?**

*Something which is very important is that you put aside your own culture a little bit and that you let yourself in for the other culture. This can be in Brazil, for example, it is very important that you have a personal relationship to your business partners. That means that it can happen that you have a meeting with a client and you don't talk about business, at all, the first 20 minutes. You first talk about things like your future travel plans, your last holidays, your last weekend, and so on, and you need to participate in that. But this is not a topic that is only important in respect to the client, but in Brazil there is principally a different cultural togetherness. This is very important also in the own department. When you enter the office on Monday morning, you usually talk about the weekend. In Germany, that is quite different. There, you enter the office on Monday and you first talk about the problems that you have in your mail box and directly start to treat business. Of course, you also talk about the weekend a little bit, but that's it. You can expand this on all cultures. In Japan, you surely noticed that when you have been with clients, the greeting ritual is very distinctive with the bows, the business cards, the way you accept and read the business card of your counterpart. Those are things you need to adapt to. You also should be open and empathetic, that are important characteristics. But I think that when you are open for this, it will work out, because it is also a matter of interest in the other culture.*

**Q2.1: What major differences do you see between the Brazilian way of negotiating/doing business and the German one and how did you handle them?**

*In principle, negotiations are more happening on an emotional level in Brazil. In Germany, it's definitely only on a factual level. For example, I negotiate with a buyer here who complains and moans sometimes and requests help from my side because the price is so bad. It can also happen that they raise topics like their performance-based salary. That is something you would never hear in Germany because it's more on the*



*factual level and more professional. In regard to the relationship, you should steer in the opposite direction without being an ice-cold German who only wants his numbers. You should let yourself in a little bit, but at the end reach at the point where you want to be. This requires a different instinctive feeling than when you negotiate about numbers, data and facts in Germany. For me, that wasn't something completely new because I already lived in Brazil for one year during my studies. So, I already knew a bit how they are and I think you adapt yourself automatically quite fast.*

*Again, the relationship level is very important. The communication aspect is also crucial in Brazil. I think when you are a person who doesn't like to communicate and always refers to the base of facts, it will be difficult for you in Brazil.*

**Q2.2: What are the most important aspects to consider in order to negotiate successfully with Brazilian companies? Are there specific obstacles/challenges to bear in mind?**

*I cannot answer the first question precisely since my main client is a German company and they have very clear hierarchical levels, for instance. There is no real OEM in Brazil, but they are either German, French, Japanese or Korean, which are in the market. And the company structure is normally arranged like in the home country of the OEM.*

*Anyway, what I always found interesting is that when you talk alone to the buyer or supervisor of the other firm, the way of talking is very different as when the director is present. So, it can happen that when you demand certain things like an adjusted price and the counterpart understands the argumentation and promises to check it, but in the next meeting when the director of the counterpart is participating as well, they directly make clear that your demands cannot be accepted. Just because they need to show in front of the boss that they defend the company's strategy, although they said at the beginning they would understand you and your demands. These contrasts are quite interesting to observe. Nevertheless, you can try to solve your points on the lower hierarchical level, but it always gets interesting when the respective buyer doesn't have the authorization to accept the compromises. Then, you are automatically forced to escalate the topic. Anyway, it is always better to try to solve things on the lower hierarchical level, that applies for both Brazil and Germany. But when something gets escalated in Germany, the style of negotiating doesn't really change because it's always about numbers, data and facts on all levels. Whereas in Brazil, on the lower level it's*

*more like about what you can get from your counterpart and give in exchange and we will find a solution or compromise. I like to call this 'amigo culture'.*

**Q2.3: Did you adapt your own style of negotiating in any way? If yes, how?**

*I definitely adapted it. You need a lot more time and patience here. First, it's because the Brazilians don't deal with things that fast and analyze them that fast, like I mentioned before. And therefore, you need more patience and one or two iteration loops more until all aspects are on the table and solved accordingly. There, I really had to adapt myself since I am German and by nature, I want to solve the things as quick as possible and I will send various reminders and this is something that they don't like at all here. Then, you need to find again the connection and the balance to be consequent but at the same time not too pushy. Otherwise, if you 'annoy' them too much, it can happen that the door closes and you need to wait double the time as if you tried it with a little bit more patience and instinctive feeling. There you have to readjust.*

**Q3 related to the matrix: 'The phases of IBNs and their respective challenges'**

**Q3.1: Which of these difficulties did you encounter?**

**Q3.2: Which ones represent the biggest challenges to negotiate successfully?**

**Q3.3: How did you handle them? → Lessons learned / recommendations**

- **Availability of participants & different time zones and big geographical distance:**

*If we start here at eight or nine in the morning, it's already two in the afternoon in Germany. That means you have to plan accordingly when you need support from Germany. But that is not a really big problem here. Five hours difference is something different as if you have regular meetings with Japanese. I have a colleague here that works with Japanese clients and she often has either meetings very early in the morning or very late in the evening. I am mainly spared from that.*

- **Different sensitivity to time:**

*In Germany, people are much more reserved and it takes longer until you have build up a personal relationship. Here in Brazil, you can get there already after some weeks, what would probably take some months in Germany.*

*Of course, Brazilians are not really famous for their punctuality. Within Bosch, since it is a German company, this is quite moderate, meaning that the people are mainly on time. In your private life in Brazil it's different and it's normal to arrive half an hour too late for an engagement. On the professional level, it's happening as well but not that extreme.*

- **Different scheduling approach:**

*In our business, you normally cannot avoid dealing with things in parallel. Only in a few cases, you check one point and then treating the next one. The parallel approach is standard, otherwise you are not proceeding well with your projects. That's the case here in Brazil as well, but I think this depends more on the business.*

- **Different mindset related to processing information:**

*This point is hard to be answered. In Brazil, there are some special laws and tax regulations where you need to be very careful. But I wouldn't say that they are detail fanatics or something like that, probably even more the contrary. For sure, things don't get planned so much in detail like in Germany. The degree of planning is much smaller. They start a project and then they look what problems are occurring, which get solved one by one. Whereas in Germany, you try to plan everything as much as possible. That's a difference.*

- **Administrative distance:**

*There are numerous restrictions but besides that, there is no active government involvement, as far as I know. The bureaucracy is principally quite high.*

- **Different degrees of Uncertainty Avoidance:**

*Like I already mentioned earlier, Brazilians rather start a project and look where it gets stuck instead of planning everything well beforehand. That also because the level of professionalism is much lower than in Germany. In many aspects, they just don't have the experience to conduct detailed analysis in advance, and then the approach is more 'trial and error' instead of a detailed, prior planning. I personally like that because I am somebody who likes to learn things more in the practical way than theoretically.*

- **Degree of formality:**

*Formality in terms of the form of address is not existing here. Like I once said, there is this 'amigo culture'. For instance, it's not uncommon to greet a female client with a peck on the cheek in Brazil. In Germany, I think something like that would almost be a reason to stop the business relationship. Here this is normal and people rather find it strange if you don't do it. Also with the colleagues it's more informal. Friendship is a more important topic here than in Germany.*

- **Way of communication:**

*A personal meeting is definitely preferred. In principle, also rather communication by telephone than by e-mail. That is also because they are more open and personal. They don't like this very formal stuff and an e-mail is more formal than a telephone call. So, communication is always preferred to be personal.*

- **Different native languages:**

*This can be a problem sometimes. When we have a meeting between Germany and Brazil, after some minutes the Brazilians usually discuss in Portuguese among themselves or they talk with me in Portuguese. The German project leaders often get a bit annoyed by that because they are in a meeting where they don't understand a lot. Then, I need to find a balance to translate the Portuguese and keep the Germans in a good mood and at the same time, steer the topics in Portuguese in a way that you get a result.*

*As a consequence, you need to plan with more time and it is an immense advantage to talk the native language. I think if you are not able to talk Portuguese in Brazil, you almost can't survive here as a salesman; also because you cannot really build up the mentioned relationship when you have that language barrier. When your Brazilian counterpart cannot say what he actually wants to tell you and he has to think and every time it's a struggle to talk, he quickly stops to feel like talking to you.*

- **Communication style & High vs Low Context Communication:**

*Brazilian for me are comparable with Americans. I would almost say that Americans are the kings of communication, in my opinion. When an American doesn't like something of you, he still finds a way to say it that you don't feel offended. And this is something the Brazilians are mastering well, too. Nobody would say that your cloth is ugly today, but*

*rather comment your 'alternative style'. So, they are quite good in talking. I wouldn't categorize this in high vs low context communication.*

- **Different degree of Power Distance**

*I would say that principally the hierarchical levels are flatter. For instance, you can call the boss of my boss, our regional president, and it can happen that he writes you a WhatsApp in the evening. There is also more small talk with him than I had with my German bosses. Here in Brazil I can openly say to my boss that his approach isn't the best one. I don't say it that strict but within the Brazilian communication style. When I started at Bosch in Germany, I got told after some weeks that I need to be careful how I talk to certain people. Here you wouldn't get this told so direct. You always have to read it implicitly from your counterpart if your communication style is appropriate or not. Such a direct feedback like in Germany, you won't get in Brazil.*

- **Distinctive negotiation tactics:**

*The 'one' Brazilian negotiation tactic is not existing. When there is a tactic than it's rather to sit things out instead of solving them. It can happen that you need a long breath when your counterpart doesn't want to do something and a topic falls under the table and doesn't get raised anymore. Here you have to follow up your topics and keep a constant contact. Perhaps you need to search a conversation under a pretext sometimes, where you get to your actual topic.*

- **Degree of emotionalism:**

*I think I already described this point well before. The high emotionalism is surely connected to the level of relationship. And they just have more temper. There is a reason why they think that Germans are cold.*

- **Individualism vs Collectivism:**

*In my view, in Brazil there is more individualism. Self-reference is extremely high here. There is not a lot of collective thinking and egoism is quite common unfortunately. Therefore, in my opinion, this country has such huge problems with corruption and these things because first everybody thinks of nothing but oneself.*

- **Importance related to the relationship:**

*Answered in the previous questions*

- **Long-term vs Short-term relationship:**

*Brazilians surely think more short-term. They live in the here and now and seldom find somebody who thinks about retirement planning. Financing is therefore a big market in Brazil, where people buy many things because they only have to pay a financial installment and it doesn't matter if they pay more after all at the end. They think they made a good deal that day and have something they wouldn't have without financing. In negotiations, it's not that extreme since there is still a controlling department and so on. There, you cannot make stupid deals where get a price reduction today but long-term you need to pay more. In the professional live it's therefore less distinctive and you always have to justify your deals to somebody else.*

- **Country image and animosity:**

*The German reputation in Brazil is very good and a lot of Brazilians would like to live in Germany despite their family ties. German engineering, punctuality, beer, and so on.*

#### **Interview no 4:**

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Interviewee: Mr. Jair Pasquini

Nationality: Brazilian

Job description and duration: Until recently head of engineering department at SG in Brazil; worked and lived in both Germany and China for several years

Kind of negotiations: Commercial and technical negotiations

Date and place: 07<sup>th</sup> of June 2017, in person

Comment: Mr. Pasquini responded in writing and the answers have been discussed in person in a one-on-one interview afterwards

## **Q1 & Q2 about the general aspects**

**Q1.1: How did you prepare your negotiations with German/Chinese companies and how important do you value such a preparation? Did the preparation differ compared with a negotiation with a local counterpart?**

*Preparation for German counterparts:*

- *clear presentation with a summary for the management, describing the topics with respective summaries, next steps and conclusions*
- *summarized subjects and achievements with detailed analysis as a back-up; normally detailed questions get asked*
- *included recommendations with the respective background to justify*
- *included costs, schedule and responsibilities*
- *in case of teleconference → keeping target focus and clear communication*

*Preparation for Brazilian counterparts:*

*Since the structure and way of working of Bosch Brazil is based on the German business culture of Bosch, the preparation is very similar to the preparation for German counterparts.*

*Preparation for Chinese counterparts:*

- *also similar to preparation for German counterparts, but only the base material*
- *easier presentation for understanding due to less language skills of Chinese counterparts in most cases*
- *always good to show things in written when you say them*
- *reduced number of slides and no back-up with detailed analysis necessary; usually less questions get asked and therefore less detailed information is required*
- *included next steps, time schedule with lead time, responsibilities and follow ups to ensure that the respective persons in charge take care of their topics and the deadlines get met*

**Q1.2: What characteristics/capabilities/mindset somebody should have to be able to successfully negotiate with foreign cultures?**

- *open to listen*
- *open to understand the counterpart's needs*

- *high resilience skill → never lose your temper*
- *adaptation of speak/voice model → less direct with Chinese counterparts; more direct with German counterparts*
- *patience with communication level*
- *always keeping focus on targets*
- *good and friendly introduction*

**Q2.1: What major differences do you see between the Chinese/German way of negotiating/doing business and the Brazilian one and how did you handle them?**

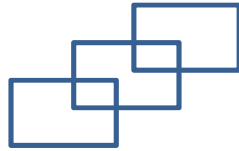
*German way:*

*Blocking style/model*



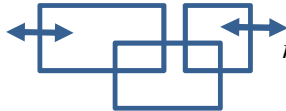
*Attacking and finishing of the main topics one by one*

*Brazilian way:*



*more flexible to see focus in a mixed way*

*Chinese way:*



*negotiation affected by tolerance in the targets*

**Q2.2: What are the most important aspects to consider in order to negotiate successfully with Chinese/German companies? Are there specific obstacles/challenges to bear in mind?**

*Answered in the previous questions*

**Q2.3: Did you adapt your own style of negotiating in any way? If yes, how?**

*Of course, each negotiation requests a preparation with impact in the personal style. The base style always remains unchanged, but an adaptation is necessary.*

### **Q3 related to the matrix: ‘The phases of IBNs and their respective challenges’**

**Q3.1: Which of these difficulties did you encounter?**

**Q3.2: Which ones represent the biggest challenges to negotiate successfully?**

**Q3.3: How did you handle them? → Lessons learned / recommendations**



- **Availability of participants & different time zones and big geographical distance:**

*Yes*

- **Different sensitivity to time:**

*Somehow. Because of limited language skills by the Chinese, you usually need more time.*

- **Different scheduling approach:**

*In my opinion, the simultaneous approach is recommended.*

- **Different mindset related to processing information:**

*Yes*

- **Administrative distance:**

*No*

- **Different degrees of Uncertainty Avoidance:**

*Yes*

- **Degree of formality:**

*Yes*

- **Way of communication:**

*Yes*

- **Different native languages:**

*Yes*

- **Communication style & High vs Low Context Communication:**

*Yes*

- **Different degree of Power Distance**

*In my opinion, the power distance in Brazil and Germany is quite similar. In China, it's the highest distance for sure.*

- **Distinctive negotiation tactics:**

*Yes*

- **Degree of emotionalism:**

*Yes*

- **Individualism vs Collectivism:**

*Yes*

- **Importance related to the relationship:**

*Yes*

- **Long-term vs Short-term relationship:**

*Yes*

- **Country image and animosity:**

*No*

#### **Interview no 5:**

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Interviewee: Mrs. Ana Mehdi (name has been changed)

Nationality: Iranian

Job description and duration: Commercial buyer; lived and worked over 5 years in Germany and lived and worked almost 3 years in China

Kind of negotiations: Commercial negotiations

Date and place: 26<sup>th</sup> of July 2017, in person

Comment: The interviewee chose to remain anonymous.

#### **Q1 & Q2 about the general aspects**

**Q1.1: How did you prepare your negotiations with Chinese companies and how important do you value such a preparation? Did the preparation differ compared with a negotiation with a local counterpart?**

*In general, the Chinese are looking at the general overview. Germans are more detailed. When you work in Bosch and you prepare for a negotiation, we all prepare in a very detailed level. If you have negotiations with Chinese, you know that even the owner of the company only looks at the general picture and they are not really interested in the details. In the details, they get lost.*

*It is important to have a relationship with them and you need to make this relationship with the Chinese before you start the negotiation. If you go there without knowing them and you request something, you will not get anything. You first need to build a good relationship with them and you need to have, let's say, the big picture topic with the main points. In Germany, on the other hand, you really need to have everything in detail prepared. It would not be a success story if you go to a Chinese supplier and you want to discuss in detail. You would get lost in the discussion.*

**Q1.2: What characteristics/capabilities/mindset somebody should have to be able to successfully negotiate with foreign cultures?**

*I would say flexibility and to be able to change direction. For example, here in Germany we have our target but if you go to China and you stick to your specific target, you don't go anywhere. You need to be able to tackle in a different way and to change direction. If you go with your fixed mindset like you are used to work, it will most probably not work.*

**Q2.1: What major differences do you see between the Chinese way of negotiating/doing business and the German one and how did you handle them?**

*If you look at the German style, you tackle the topics directly. You say that you have that negotiation or problem, then you go and sit and negotiate. Chinese style is always a little bit walking passed the problems. That is also important for the negotiation and for handling the suppliers.*

*Another important topic is that in China, if you want to have a successful negotiation, you need to have a relationship, plus it is very hierarchical and the decision maker is the owner of the company most of the times. So, if you go and you try to handle your negotiation with their sales person directly, there is a good chance that you lose some months talking with him and then the owner comes and is not aligned with any of that. You need to have strategical topics. And you need to know that they like to avoid problems. Most probably, they not even telling you the things directly and everything is*

*very indirect. These are things that you need to take care of when you want to do business with Chinese or organize meetings.*

**Q2.2: What are the most important aspects to consider in order to negotiate successfully with Chinese companies? Are there specific obstacles/challenges to bear in mind?**

*There is one other point. Many times in China, the negotiations will conclude after the negotiation session during the dinner or when you go for drinking with them. If somebody is really sticking and wanting to close everything right now there, it won't work. I mean, it can be that you are negotiating and your head of the company calls out for the head of the company of the supplier and they go out of the room to make a 'gentleman's agreement'. Or it can be that you don't conclude anything during the meeting and then you go out for dinner and you continue talking about business during that. So, it works a little bit less formally than we use to work and there you also need a kind of flexibility. Chinese need to have confidence in you and for them the confidence comes a little bit with the relationship. You need to get along with them and in informal meetings most of the time you solve the problems much easier in Chinese culture.*

**Q2.3: Did you adapt your own style of negotiating in any way? If yes, how?**

*I would say yes. I personally traveled a lot and worked abroad. I don't believe that you need to go with the flow and change your style 100%. I really believe you need to get the good points of each culture and try to somehow, let's say, moderate it to match the new culture. Me personally, I prepare for every single detail, in case that I need it in the negotiation, even if then, I might not pull out all the detailed information during the meeting. Then you see which information you need. I learnt the detailed working in Germany and I continue it, but then try to adapt it with the Chinese way.*

*One more very important thing about Chinese culture. In the Chinese culture, they really care about the 'face'. You Shouldn't lose the face. So, if you get a wrong information from the sales person and you go and say he is wrong in front of everyone, he will think that he is going to lose his face so he will defend his mistake even he knows he is wrong. For them it is very important. So, you need to adapt to it, even if you know they are mistaking, you need to tackle it a bit in a softer way, for them to accept it. Like in a negotiation, if you somehow make someone lose the face, then it will be very difficult to*

*get their cooperation, because they take it very personally. It is not like in Germany. And also, most of the time, they never say 'No' to your face and you need to read it between the lines. If you are not really getting an agreement somehow even in the indirect way or eventually trying to summarize it, it can be that you do a meeting for nothing. If they don't agree they just don't say it. This can make it a bit challenging when you are used to the German style where everything is very direct. Eventually, you need to directly get an agreement or you put it in the contract, but you need to know that in your communication, most of the time, a direct answer from them will not come. But as a business we need to document it directly.*

**Q3 related to the matrix: 'The phases of IBNs and their respective challenges'**

**Q3.1: Which of these difficulties did you encounter?**

**Q3.2: Which ones represent the biggest challenges to negotiate successfully?**

**Q3.3: How did you handle them? → Lessons learned / recommendations**

- **Availability of participants & different time zones and big geographical distance:**

*To be honest, it was always difficult to talk with them by phone and I can believe that yes, if you don't see them face-to-face the communication will be very difficult. It can be the language barrier or it can even be a cultural barrier. It's the same thing I already talked you, they will never tell you that they don't understand you. If you explain something via phone and they do not understand you, most probably they say yes. When you are in a meeting with them and you see their face, you know that they didn't understand and then you can try to explain it in another way. So, I would say yes, the distance can be a problem.*

- **Different sensitivity to time:**

*I would say yes, most probably, they need a little bit more time, mainly also because of the topic of hierarchy. So, in the very traditional Chinese way, the Chinese head of the company let the salespeople talk and talk and talk. When he gets the same attention from other the head of the company, then they sit and close it. In this sense, the negotiation might go longer.*

- **Administrative distance:**

*In our case we didn't experience something like government involvement.*

- **Different degrees of Uncertainty Avoidance:**

*I mean, definitely Germans want to handle uncertainty. Whereas in China, they live with uncertainty. That is their style of tackling things not clearly and then things are going a little bit like a black box. So, definitely in Germany there is much more a culture of uncertainty avoidance.*

- **Degree of formality:**

*The degree of formality is definitely higher in Germany. But this one can be that I do not speak Chinese and I don't sense it. But what I sense as a foreigner in China is that the way that the meetings are held is definitely less informal. Plus, like I told you, we go out always and we have these dinners, where everyone is drinking and eating. So, I consider it less informal in China.*

- **Way of communication:**

*I definitely would say face-to-face is preferable. Even when I see the difference between the purchasing department in China and in Germany, the colleagues in China travel much more often to their suppliers. And that already tells you that when you want to solve a problem, you go to your supplier and you sit together to solve it. Even Chinese, that don't have a language barrier between each other. Myself, I was traveling to two suppliers per week in China. In Germany, the buyers most probably, they travel two times to one supplier per year. One time for negotiation and the other one when there is a big quality topic.*

- **Different native languages:**

*It is a big challenge. When you go there and negotiate in English and the head of the company speaks in Chinese, it's a big challenge. At that time, I was lucky that our team leader changed and he was Chinese that lived in Germany for fifteen years. So, in a difficult communication, when we not really going forward, he was helping in the translation. It can be a big barrier. Only younger generations speak English and the little bit mid/older generation, which are mainly the heads of the companies, they don't speak any English.*

*If they don't speak English well, at least when you go there and meet them in person, you see the facial expression of the persons. I mean if you give them the negotiation target, for example. Even when you cannot understand most probably during the translation, you can see the face, you can see the reaction and you can sense something. While with an e-mail, they most probably say 'no' and they don't elaborate. So again, I consider face-to-face as always better also because it is a topic of relationship. You need to see the people to build a relationship with them. And you can only make that relationship if you go there and sit with them and talk with them. Even when the discussion goes indirectly through a translator.*

- **Communication style & High vs Low Context Communication:**

*Answered in the previous questions*

- **Different degree of Power Distance**

*Like described before, the power distance in China is very high and the decision maker is the head of the company. Even when the rest will help and support, but they will not do any decision. You can tell them directly that you want to have a meeting with them including the head of the company. To be honest, during my time in China, I never had any negotiation where the head of the company was not participating. I never had any negotiation where they did not sit at the table. If you set a meeting and only your sales counterpart participates, you know that that meeting is most probably 90% a waste of time. You have to know what is the hierarchy of that company and then you make sure that the decision maker is there.*

*It is also important that your own supervisor is participating. In Bosch we have certain, let's say, freedom to take decisions, so you as a buyer can take decisions. But you need to give recognition to your counterpart. You need to invite not only your team supervisor, but the boss of the department to come and say 'hi'. Even when he only sits in the meeting for 10 minutes to just give them the recognition. This is very important for them. And it can really help a lot.*

- **Distinctive negotiation tactics:**

*As I said, they can change direction very easily. They can be very flexible in changing direction, like being cooperative or being a little bit threatening. So, they are very good*

*with the change of the direction, which is most probably a point to learn from Chinese. They can easily change direction like playing 'good cop, bad cop'. Somehow it looks like it's in their culture to use these tactics. In Europe, we are more like fact-based and more straightforward. This is definitely something we could learn from them. They don't play all their cards at the same time and they try to get information indirectly to use it somehow. Sometimes one supplier gives away information about another supplier and then they try to smartly use that information. These tactics are much more used and appreciated in China.*

- **Degree of emotionalism:**

*I would say Chinese are more emotional than Germans. In China, when you make someone lose the face, they get super emotional and there will be a big barrier to get cooperation with them. Whereas in Germany, they stay more on the professional level and don't get really personal and emotional.*

- **Individualism vs Collectivism:**

*I would say in China it's more collectivism. It is still a little bit a communist culture. When you are looking at their background, they always want to be seen as a group. They don't want to stand out so much. They don't want to say 'no', so it's more about collectivism., if you call it so.*

*It can be that when you are sitting with five people of the Chinese company and you are talking about a subject and three of them are agreeing, can be that the fourth person, which doesn't agree, does not raise a voice. Most probably, that person lets it slip. And that doesn't mean that he really agrees. They don't want to stand out from the group and be the one that stops everything or says 'no'. This is also little bit connected with the direct and indirect communication. There, you need to know them a little bit and read from the history and their face.*

- **Importance related to the relationship:**

*Answered in the previous questions*

- **Long-term vs Short-term relationship:**

*It's more short-term. I mean, there is a market in China that used to be fast and super dynamic for the last 20 years. So, when we are talking to a Chinese supplier about*



*something in five years, for them it doesn't mean anything. You really need to talk about what happens next year. They don't have the patience to wait five years. And this is something we need to look how their market develops. They are fast and they are even doing the things faster and the general orientation is much more short-term than long-term. In negotiations, if you are promising something to the Chinese in the next three years, they don't care. They want to know what comes tomorrow. Most probably, when you are preparing for the negotiations, you need to also give them some short-term achievement, if you want to get some result from them.*

- **Country image and animosity:**

*If you go and you negotiate as Germans, it can be an advantage. It's difficult to say if there can be also a disadvantage. I mean, a disadvantage can be, that they think that we anyhow don't understand them. That was the approach that they had when they were negotiating the first year with me. They thought that I am a foreigner so I don't know how the business runs in China and they try to already avoid you. For this, I would say it can be a disadvantage and you need to show them that you know the culture and you know what is going on in the market and the history.*

*Another thing that can be an advantage is that when you are going and you are talking about a stable and reliable market. If you are approach them from this market then they want to do business. This is something that we also need to sell them and they buy it very much. Even specifically for Bosch, they want to put Bosch in presentations and say that they do business with Bosch Germany. This is not important for the big suppliers in Germany, they don't need this name.*

*But in the context of negotiation, it can be a barrier if we do not understand them and they see us as outsiders. This independently from Germans and concerns all non-Chinese. There is no animosity existing between China and Germany, no.*

#### **Interview no 6:**

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Interviewee: Mrs. Diana Almeida

Nationality: Brazilian

Job description and duration: Commercial buyer; living and working in Germany for 1.5 years

Kind of negotiations: Commercial negotiations

Date and place: 26<sup>th</sup> of July 2017, in person

### **Q1 & Q2 about the general aspects**

**Q1.1: How did you prepare your negotiations with German companies and how important do you value such a preparation? Did the preparation differ compared with a negotiation with a local counterpart?**

*For sure, there is a big difference between every kind of negotiation preparation, not only considering the cultural aspects. What I mean is, I don't prepare differently because it is a German or a Chinese or an English supplier. What I usually prepare differently, depending on the profile of the persons I am going to negotiate with. So, the Germans, sometimes it's matching that the different profile is also because of a different culture. But also in the same culture we can have different profiles. But then, talking about negotiations with German companies. First of all, whenever I have to negotiate with any different culture, the first thing I do, I search about the characteristics of this culture. What is polite to do? What is impolite to do? What are the general aspects of this culture? How do I normally behave? How do I normally react? In order to get some idea about the scenario I am going to face. So, normally with Germans, differently from the Brazilians, I know they are very influenced by the process and how the things work. They are very reliable, so what is said is really meant, different from the Brazilians. I prepare based on such things and I adjust my profile or the role play to these characteristics. Currently at Bosch, we have cultural profiles described. It's very interesting. There is a business overview and also daily routine overview. Again, what is polite, what is impolite, what justifies in terms of history this kind of behaviors, etc. I usually make use of this material that is already available. Such material can also be found in the internet or in publications, because this diversity and intercultural training for executives or sales and purchasing persons make part of trainings and everything.*

**Q1.2: What characteristics/capabilities/mindset somebody should have to be able to successfully negotiate with foreign cultures?**

*I think the most important thing is that the person, first of all, identifies that there is a different counterpart participating. Because this is the conscious knowledge matrix. There are things that you know but you are not conscious about and there are things that you are conscious about but you don't know. So, first of all, the person needs to know and to be conscious because when you are conscious, you are open for the empathy exercise. And doing the empathy exercise, you put yourself in the others position and you adapt yourself and your speech to the others' characteristics. I think this is the main important one. First one, to be open, to identify that you are dealing with a different person, with a different story, who lived in different societies, maybe with different values. And second, to learn how this person is and to make the empathy exercise and adapt yourself for that. If someone cannot be adaptive, this person is not going to lead anywhere because it is going to be a tough discussion where no one is going to be flexible and no result is going to be achieved.*

**Q2.1: What major differences do you see between the Brazilian way of negotiating/doing business and the German one and how did you handle them?**

*I have much more experience with Brazilian negotiations than with German negotiations. But what is most outstanding for me, after one and a half years here, is how fair German suppliers are. The Brazilians, and this is not a culture only for the suppliers, but it's a culture of the society, they always want to fool you somehow in order to take advantage from you. So, it is a big matter of trust. You cannot trust on what your supplier is saying in Brazil. You always have to keep one step behind and look deeper if something is true. And in Germany this is something that almost never happens. For the German suppliers, at least it doesn't happen. If you look at the Italians, at the Spanish ones, it happens also, that's why Brazil is like that, because there are lots of Italians, Spanish and Portuguese. I feel I can trust in my German suppliers and what they are saying to me is the reality. If they owe something to me, they are going to pay. They are not going to get rid of that.*

**Q2.2: What are the most important aspects to consider in order to negotiate successfully with German companies? Are there specific obstacles/challenges to bear in mind?**

*In order to have a good negotiation with German companies, I think this is a matter of preparation. But the preparation is always a must in every case. The only thing is where your preparation is really going to make a big difference for you. For example, if I negotiate with a Brazilian, I have to be very prepared because he is going to try to take advantage for my non-knowledge of something. So, if I am missing information, he is going to find a place to take some advantage and some extra money from me. Being very well prepared to the German supplier, it means that you have the overall view, you have the completely knowledge of what is happening and you can answer to them, because what is pissing them off is if you don't know what you are talking about. And as the Germans are very straight to the point and very process- and result-orientated, if they figure out that you are missing the preparation, I think it can pass the impression that you are not confident and able. This is also interesting, when I started dealing with Germans I saw that I had to show more in order to conquer the confidence and the trust of the other people. And in Brazil it's like we are sitting for five minutes and you are already my best friend. But you are not, they only behave like they were. So, the preparation also in Germany builds this trust between the parties and that is also something that I really see as a very important thing, to build this partnership and this trust.*

*You need to prepare in a broad way. The information, knowing your partner, visiting your partner, trying to identify to which profile he belongs to, in order to adapt your communication, everything. Everything related to preparation, not only numbers, data, etc., but also the more interpersonal competence has also to be very well prepared. Because normally the Germans come very prepared and in Brazil I had several experiences where the supplier didn't prepare himself. Maybe because he was not used to receive such a preparation also from the other side, but I faced several situations with big suppliers where I came with everything and they got surprised because they didn't have the data, so they couldn't answer them. It sometimes happens. So, in general, Germans are very professional.*

**Q2.3: Did you adapt your own style of negotiating in any way? If yes, how?**

*I think it's very important to make a self-analysis and discover which is your profile. So, I have a profile that I am very cautious and I need lots of information. This is the style of my personality. I need information in order to make the picture in front of me or I cannot understand the situation. I am very result-orientated and then I need lots of information for my preparation. And in terms of speech, I have a tough body language and also I am very direct. So, I am conscious about that and I am working for several years in improving my communication capacities and abilities in order to soften and to learn new things, but this is something in regard to my personality that I never going to be a very light person because it is not my personality. But being aware of that, the negotiation adaptation that I did is that I always try to negotiate with different profiles on my side. So, negotiating by Bosch, I am normally the bad guy of the negotiation and then I invite some other person for playing the good guy with me, if it's my supplier. I have already experienced, negotiating with other colleagues, but then it was not my supplier, and then I played the good guy also. Because although you were prepared there is a different relationship between being your supplier or being the supplier of the others. So, when it is my supplier I know everything that is happening and I cannot be so much the good guy. I already have been several times, but then when the supplier is really super bad guy, because being though and being direct doesn't mean that I am impolite and that I'm rude. No, I am open and friendly, but if I identify something on the other side I adapt myself. When the supplier is friendly and cool, I am going to be a very light person to negotiate with. When the supplier is dominant, and it's the one that attacks you the whole time, then for me it's much easier to delegate this task of being the good guy to another person, because my personality makes me easier to be the bad one. So, I adapt myself always depending on the profile of my counterpart.*

**Q3 related to the matrix: 'The phases of IBNs and their respective challenges'**

**Q3.1: Which of these difficulties did you encounter?**

**Q3.2: Which ones represent the biggest challenges to negotiate successfully?**

**Q3.3: How did you handle them? → Lessons learned / recommendations**

- **Availability of participants & different time zones and big geographical distance:**

*That's not a big problem because we only have between three and five hours difference during the year between Germany and Brazil. So, it's pretty adjustable. You can have a negotiation in the afternoon in Germany and it's morning in Brazil. If you have a meeting with your counterpart and it's morning for him, it's an advantage because studies show that persons are more willing to take hard decisions in the morning when they have their heads fresh.*

- **Different sensitivity to time:**

*I already have faced both situations in both cultures. I think it can be a cultural thing but also regarding the profile of the counterpart. The different sensitivity to time is important, because if you are not prepared and you don't know the profile, you are going to be caught in the situation. If I don't know that the supplier, historically needs eight hours to make a negotiation and I do not prepare myself and not rest enough, I'm going to arrive to negotiation with my head already full and not prepared for such a long thing. Or if I have a profile that I am social and I need hours to do it, and then I get a supplier who is practical and goes straight to the points, then I'm going to have difficulties on reaching the result in time. If persons are not prepared for that, it can become a problem.*

*It's something that really surprises me because I always heard that Germans are very concentrated on the time that is reserved. And I have faced several experiences here where I do not see this discipline in the way that I heard it would be. I don't know if it is a profile change or a cultural change of this new generation, where their patterns get looser.*

- **Different scheduling approach:**

*In Brazil, everything is more disorganized. Even the trainings that we received from Bosch for negotiations in Brazil, normally the trainers were German, so it was the model developed in Germany, being applied in Brazil. But this organized approach with a strict agenda doesn't work in Brazil and they jump from one topic to the other. I personally don't like that. In Germany, I feel that it's one-by-one, so it's very well organized and more related to the process and more straight to the point. I think this is much better*

*because this is focused. In Brazil, you lose the focus a lot and you make several discussions that take a long time but they bring you nowhere.*

- **Administrative distance:**

*There is nothing like that in Brazil that I experienced.*

- **Different degrees of Uncertainty Avoidance:**

*I think it's much higher in Brazil, because the economical situation and the political situation is completely uncertain. So, when you are dealing with a supplier situated in an economy that is flat and stable, there is no much window for uncertainty creation and the uncertainty is very small. It's different from what happens in Brazil where from one month to the other the dollar explodes or the market changes quickly. So, it's hard for them to assume compromises. Because they don't know if tomorrow they can make it. Brazilians avoid more uncertainties.*

- **Degree of formality:**

*It's different for sure. Starting from the way of greeting where you usually call the other person by the surname in Germany. In Brazil, everything is much less formal. I would say it's not easy to find in Brazil someone that really behaves very professional and formal. For me at the beginning in Germany, the higher formality was not a problem but really an adaptation phase. Because for me in my head, 26 years of my life I was used to call the persons by their first name.*

- **Way of communication:**

*This opens a range of points to me, because in Brazil as you don't have the trust, you have to write everything. But writing is not the most effective way to build relationship with your supplier. Because for the Brazilian society it's very important to have the personal contact. What I feel in Germany, I feel the same but in a different scale. It really makes the difference when the person gets to know you. When you see the face you are talking to, when you are approach the person, this makes a whole difference. I personally prefer to have face-to-face communication, not so many electronic ones because of the output and input comparison that I've done in the very beginning. Today there is much to read in front of you, it's really hard to select. Therefore, I really prefer this face-to-face communication or direct communication instead of electronic.*

*When you negotiate with Brazilians and you talk with them, you anyway have to write the important things after all. In Germany, we also write because it's Bosch process and it's always written, but the experiences that I have is that what was said, happened. Small things that were said, they happened. In Brazil, it's different.*

- **Different native languages:**

*This is really hard, because we have a lot of communication with China, for example. And the Chinese, most of the persons don't have a good English, for example. And living in Germany now I have the experience, how hard it is for you to express yourself, to build your image based on your content and the way you express yourself, when you do not dominate the language. I have a very big focus on communication in my life, I really love this theme. Communication is really important and talking about not dominating a language can destroy your results. So, even when there are situations that I am trying to communicate in German, or I am trying to explain something to a colleague in English for example, I catch myself several times thinking how good it would be if that other person could speak Portuguese.*

*I already had so bad experiences with interpreters. Once I was with a German supplier in Brazil with an interpreter changing to English. So, it was a Brazilian with a German speaking via an interpreter. And he was interpreting everything that was being said. So, there was a third mind to think for the others in that situation and this thing of stopping and interrupting for the translation to be done is very boring. If you can put a person negotiating in the same language or at least someone who can switch the language in a difficult situation and speak natively, that would be great.*

- **Communication style & High vs Low Context Communication:**

*I think this is the most difficult thing, because it talks about adapting yourself to your counterpart. In Brazil, I think they often try to escape and are giving superficial information. It's not like the Chinese that they give something implicit or the Germans that they do it direct. For me it's easier here because I am direct, so with Germans I am like in heaven. In Brazil I had some difficulties, because for the Brazilians, when you are too direct, they understand you as rude. So, then it lacks the empathy to analyze the other and realize that you are not rude and it's just the way you are. It's not being impolite, it's just being direct. You can also not give direct criticism in Brazil. If you give a criticism,*



*we usually use the expression that you need 'many finger', meaning that you have to touch with all the fingers very carefully. If we do a scale and direct is up I think it's Germany, then Brazil in the middle down and then China.*

- **Different degree of Power Distance**

*Inside Bosch there are no differences between Germany and Brazil due to the processes. Therefore, it's not possible for me to answer this question.*

- **Distinctive negotiation tactics:**

*From the purchaser side, we receive lots of trainings of Bosch about techniques of negotiating. Our suppliers in Brazil, most of the time depending on the size of the company, their tactics is to complain over and over again. It's because of lack of preparation, because when you go deep into the discussion, you normally win. So, if you are prepared with the cost break-down, you calculated the cost and you measured the market, you break all this argumentation. So, it's amateur.*

- **Degree of emotionalism:**

*Brazilians are emotional. So, when the negotiations get to a stressful situation, it's normal to listen to people screaming or offending the other personally, because Brazilians are like that. And in Germany, it's very professional, so there is almost no involvement. There is a self-control of the whole situation and Germans really avoid entering in tough discussions. Sometimes there is some variation, but then it's not so freaky as it happens in Brazil.*

- **Individualism vs Collectivism:**

*That's what I mentioned, within Bosch we never take decisions alone. But what I feel from the suppliers at the moment is that they have the power to close when they come to you. So, in negotiations they never said something like they have to take something to approval. Maybe this is because our contact persons are the persons that really take decisions. That I cannot evaluate. Most of the Brazilian suppliers avoid taking decisions in the first round. They always want to take it back home and give an answer in some days. It also depends on the size of the company. When we are talking about very big companies in Germany that have very big hierarchy degrees, I think it's the same that happens within Bosch, there are many approvals necessary. When we are talking about*

*middle or small companies, then we can see a clear difference. In Brazil, even when we talk with the CEO or the owner of the company, they need to take it back home to decide. You never close the negotiations in the first round. It's always minimum three. There is a tendency to be a little bit more collective in Brazil than in Germany.*

- **Importance related to the relationship:**

*In Brazil, if you don't get a relationship with a supplier you can experience completely different negotiation approaches. For the Brazilian society, the relationship or what they call "friendship", is really important. There were suppliers in Brazil, when you got out for a drink with the supplier one day before, your negotiation had a super result. If you were not and went direct to the negotiation without Smalltalk and so on, there was another kind of result. So there, this relationship prior to the negotiation, building this relationship is important. The suppliers want to feel cared by someone. It makes total difference. I think it is also related to the professionalism. It is very common in Brazil that the supplier adds you on Facebook, showing you pictures of his family and telling things about his private life. While in Germany, business is business. It's much more professional.*

- **Long-term vs Short-term relationship:**

*In Brazil, the suppliers or partners avoid making deals for a long time if it requires a lot of responsibilities of their side. They avoid contractual commitments since they don't know how the inflation will be the next years, for example. In Europe, it's much more stable. They Brazilian suppliers cannot commit to price productions in productivity as the suppliers here in Germany can. And this is a problem not only for Brazil, but for countries like China as well.*

- **Country image and animosity:**

*When we are putting Brazil as an underdeveloped country with several political, economical and infrastructural problems and a German company like Bosch is negotiating with a Brazilian supplier, the country image of Brazil is somehow chaotic. There are situations where this helps the supplier, because then he puts himself as the poor guy of the history. If the person negotiating is not well prepared and knows the specialty of each region and the potentials that you have, this can be a mask and the*

*supplier can take advantage of this lack of knowledge of the other part. On the other hand, it can also be a disadvantage that maybe some companies don't want to make business because they are afraid of the unstable situation in Brazil.*

*The country image of Germany is very positive in Brazil. Normally Europe and the United States have a very good image. Regarding China, the Brazilians are still with a preconception against them with the idea of bad quality etc. Personally, I think this is a very ignorant opinion. If they still would provide so bad quality like people are saying, they wouldn't be the greatest potential of the last fifteen years. These guys really know how to do business. But Europe, in particular Germany, France and the Northern countries are very well respected. They don't trust Spain, Portugal and Italy so much because of the roots that Brazil has. It's very similar to them.*